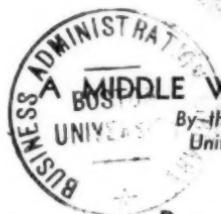


Public Utilities

FORTNIGHTLY

Volume XLIII No. 11

May 26, 1949



MIDDLE WAY FOR THE NORTHWEST

By the Honorable Walt Horan
United States Representative

< >

Power to the Empire State

By J. Louis Donnelly

< >

What Do Utility Employees Think of the Company?

By O. H. Day

< >

Odds and Ends in Utility News

By Harold Helfer

PUBLIC UTILITIES REPORTS, INC., PUBLISHERS

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Public Utilities

FORTNIGHTLY

VOLUME XLIII

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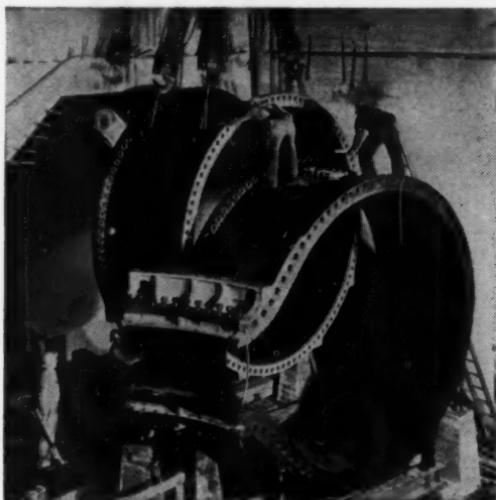
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Pages with the Editors

SOME years ago the well-known newspaper columnist, Marquis Childs, wrote a book on the Scandinavian coöperative movement, entitled *The Middle Way*. In this work Mr. Childs lauded the coöperative movement as being a logical compromise between Capitalism and Socialism.

ADMITTING that free enterprise has its defects, as well as state Socialism, the coöperative movement is supposed to represent a program whereby the people even in industrial enterprise can help themselves by helping each other. It was an enlightening exposition, aside from the fact that Scandinavian coöperatives are reported to pay about the same taxes and obey the same rules and regulations as their private business competitors.

ONE interesting development in the European experience with the middle way, however, is that it has had a tendency to move towards the left—towards state Socialism—rather than towards the right (meaning towards corporate enterprise). Certainly that has been the experience in Great Britain. If it could be shown that these corporate ventures have ever had a tendency to move in the direc-



© Harris & Ewing

WALT HORAN

tion of corporate enterprise, or even hold their own—competitively speaking—without subsidy in the form of tax exemption and other favoritism, it would be even more interesting.

A SOMEWHAT analogous situation is presented in the current rivalry between advocates of home rule or local development of public works, and advocates of such development by the Federal government. The Tennessee Valley Authority has been presented as something in the nature of "grass roots" control. The fact is, however, that the appointing power, as well as the purse strings, are still controlled from Washington, D. C.



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REPRESENTATIVE HORAN is a Republican from Wenatchee, Washington. He was born in 1898 and graduated from Wenatchee High School and the State College of Washington. He engaged in fruit growing, packing, storing, and shipping. He was first elected to the 78th Congress on November 3, 1942, and re-elected to the 79th and 80th Congresses, representing the fifth district of Washington.

* * * *

WITH the renewed agitation for the St. Lawrence power development have come reports of a power shortage in the New York state area. What is the truth of these reports and what are the existing electric utility companies in that region doing about them? The author of the article, "Power to the Empire State," which begins on page 674, J. LOUIS DONNELLY of the New York *Journal of Commerce*, has made a careful survey of the situation and finds that the Empire state utilities are very much "on the ball" with respect to public responsibilities and planning.

* * * *

TAKING a survey of employees' sentiment on managerial policies is an important step in utility employee relations. But it is only a step even after the results are known and analyzed. Correcting points of friction and misunderstanding then calls for a program of planning which O. H. DAY of Kansas City Power & Light Company describes on the basis of actual operation in his article entitled "What Do Utility Employees Think of the Company?" (beginning page 683).

MR. DAY is a new contributor to the FORTNIGHTLY. He was born on a farm in Jasper county, Indiana, and graduated from Purdue University as a mechanical engineer. After teaching mathematics and drafting he became director of vocational education at Anderson and East Chicago, Indiana. He later became associate professor of trade and industrial education, Purdue University. During his twenty-four years' service as director of vocational education in the public schools of Kansas City, Missouri, he has developed a program for co-operative occupational

MAY 26, 1949



J. LOUIS DONNELLY

education. He directed the training of 50,000 war workers, and is now directing veterans' training program.

* * * *

AMONG the important decisions printed from *Public Utilities Reports* in the back of this number, may be found the following:

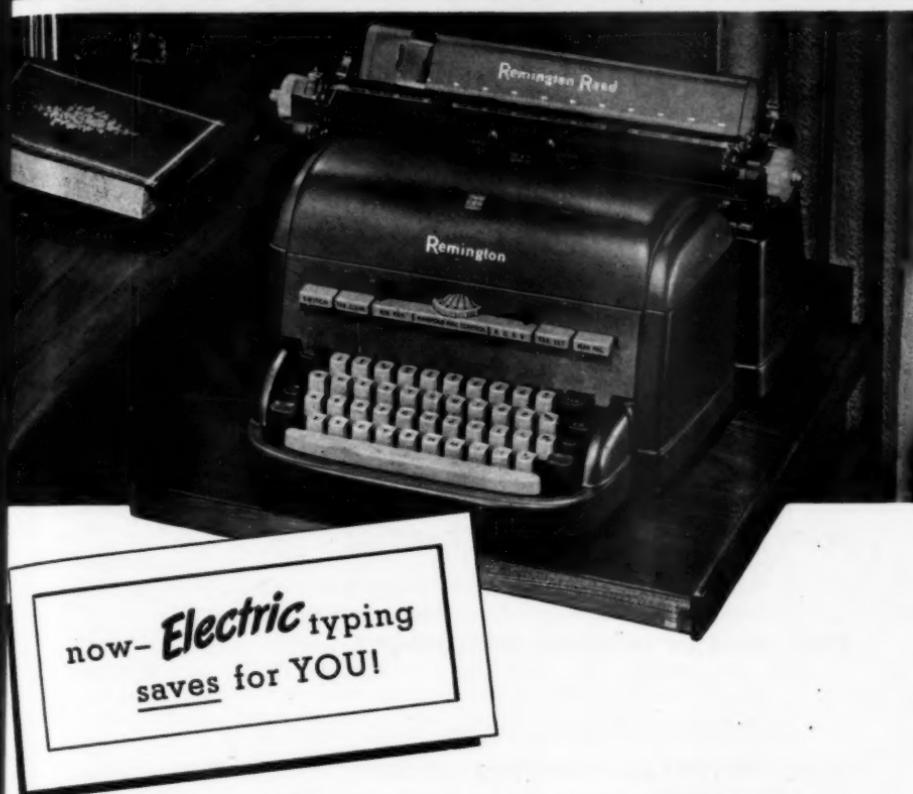
EARNINGS of a bus company should be tested both by the ordinary relationship of rate base to rate of return and by the operating ratio test, according to the Utah commission. (See page 1.) It is of interest to note that the recently announced rent regulations use operating ratios as a basis.

THE United States District Court holds that the Securities and Exchange Commission should not reject a holding company's plan for compliance with § 11 of the Holding Company Act and adopt a plan proposed by a stockholder, unless the latter plan is so clearly superior as to persuade the commission that the company plan is unfair. (See page 15.)

THE Missouri commission believes it is unfair for a telephone company to charge the same rates for 2-party service as for 1-party service. (See page 29.)

THE next number of this magazine will be out June 9th.

The Editors



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Coming IN THE NEXT ISSUE



THE ELECTRIC INDUSTRY SHAPES ITS FUTURE

Ernest R. Ackér, president of Edison Electric Institute, has prepared a special message outlining the work of his national association as it will be considered during the forthcoming seventeenth annual convention at Atlantic City, May 31st-June 2nd.

SYMPOSIUM: WHAT IN YOUR OPINION IS THE MOST PRESSING PROBLEM FACING THE ELECTRIC OPERATING UTILITIES?

A number of the key executives of operating electric utilities throughout the country were asked by the editors of PUBLIC UTILITIES FORTNIGHTLY to answer this question briefly in their own way. The answers have been assembled in a symposium which is both thought-provoking and enlightening. Among the executives responding were included the following: R. H. Tapscott, R. H. Knowlton, Walter Schmidt, Jr., Philip Sporn, Walter H. Sammis, Walter C. Beckjord, Edwin Vennard, J. B. Thomas, and W. C. Mullendore.

WHEN WOULD YOU SEEK EQUITY CAPITAL?

A member of the Securities and Exchange Commission, Honorable Harry A. McDonald, has given us the benefit of a prepared analysis on the problem of timing equity financing and avoiding excessive debt obligation.

CHALLENGE OF EMPLOYEE DEVELOPMENT

It is not generally realized that the electric utility industry faces a serious challenge in training sufficient and adequate executives for the future. F. E. Verdin of the Cleveland Electric Illuminating Company has outlined a training program along this line.

IS COMPETITIVE BIDDING WORKING OUT?

Who would know more about how the competitive bidding rule is working than Hal H. Dewar, president of the Investment Bankers Association of America, who has prepared a discussion on this topic?

PATTERN FOR PUBLIC POWER IN NEW ENGLAND

The recent agitation to place the Connecticut river in the class with other river basins of the United States for public power development, is the basis for a zestful critique by Richard D. Grant, New England editor and former member of the Massachusetts commission.

HAS THE ELECTRIC UTILITY INDUSTRY ANY FUTURE?

Another leading utility executive gives us his views on this purposely provocative question. He is A. F. Tegen, president of the General Public Utilities Corporation.

PUBLIC POWER CAN BE SHORT TOO!

For more than two decades the Province of Ontario has had a virtual monopoly on public supply. Ronald A. McEachern, editor of the Toronto Financial Post, shows that it too has difficulties with maintaining adequate supply.



Also . . . Special financial news, digests, and interpretations of court and commission decisions, general news happenings, reviews, Washington gossip, and other features of interest to public utility regulators, companies, executives, financial experts, employees, investors, and others.



Can You Be Confident?

IF in conjunction with your next annual meeting—or at some contemplated special meeting—proposals other than routine are to be voted upon—to raise debt ceiling—authorize new securities—grant conversion privilege for convertible bonds, etc.—can you feel confident that your stockholders will support management's recommendations with adequate votes of approval—on time?

Such an important meeting frequently merits provision of special handling—utilizing the services of our proxy soliciting organization as a form of insurance that the meeting will be successfully held on scheduled date.

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Remarkable Remarks

"There never was in the world two opinions alike."

—MONTAIGNE

EARL O. SHREVE
*Former president, Chamber of
Commerce of the United States.*

"One of the great illusions of our times is that a central government in Washington can chart a course for our complicated and evolving economy."

ELBERT D. THOMAS
U. S. Senator from Utah.

"Intellectual freedom, above all things, means that there is no place for the single will in the state, in the association, or in the group if democracy is to work."

DALE CARNegie
Author.

"Know how big the national debt is? No? Well, it's over \$250 billion, and remember this: Only a little more than one billion minutes have passed since the birth of Christ."

T. E. CRADDOCK
*Former president, National Rural
Electric Coöperative Association.*

"There is not a state in the Union in which a coöperative's power situation does not reflect an acute power shortage which has reached a point of state emergency in the nation."

MARCELLA ALLEN
*Secretary, Nebraska Reclamation
Association.*

"It is no state secret that our public power policy just 'growed' like Topsy. In fact, the whole reclamation program has succeeded so far, only by keeping just ahead of the hounds."

CHARLES F. BRANNAN
Secretary of Agriculture.

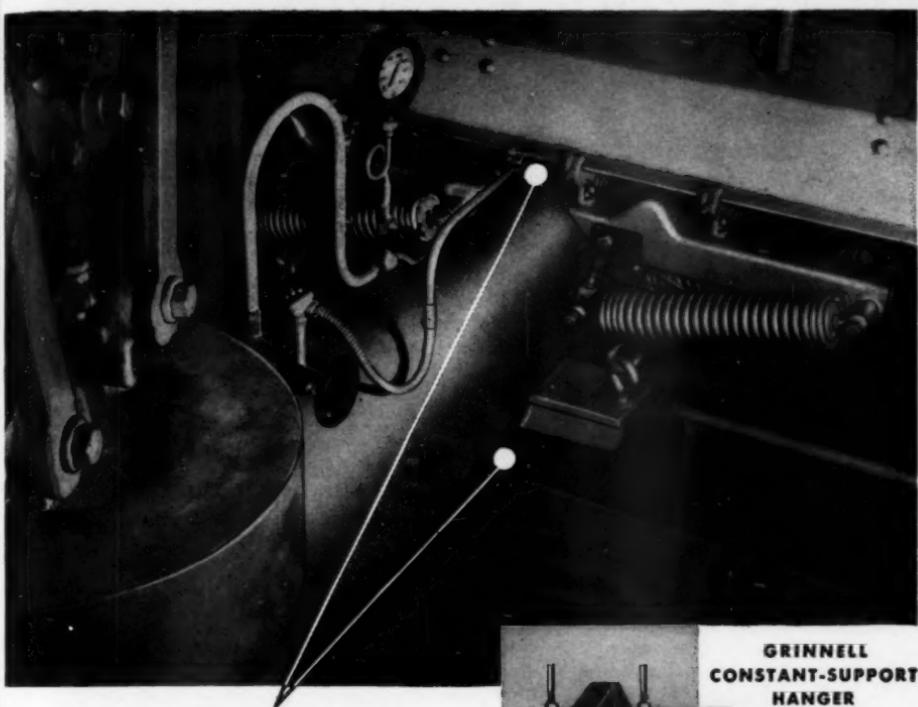
"Only 45 rural homes out of 100 have telephones. It doesn't seem reasonable to me that less than half of the rural homes of America have telephone service when more than two-thirds of them have electric service."

AVERELL BROUGHTON
*President, Public Relations
Society of America.*

"If public relations is to truly come of age as a service to business and our country, it must acquire a business and professional stature comparable to the other service concepts in American life. . . . Public relations is not cloak and dagger. Public relations is as practical and earthy an operation as any phase of engineering or science."

BENJAMIN H. NAMM
*Former president, National Retail
Dry Goods Association.*

"With the world split increasingly between Capitalism and Socialism (and I see no reason to apologize for the former word) industrialists must recognize that the community work they leave undone, through ignorance or indifference, will be taken over eventually by power-minded 'administrators' or by frank enemies of our way of life."



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It's a lively chunk of deadweight, this big boiler lead from a superheater outlet at the stop and check valve . . . in the new Southwark station of the Philadelphia Electric Company. It requires "playroom". From its position when cold to its position at 900° F., this piping travels through all three planes — vertical, lateral and longitudinal.

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REMARKABLE REMARKS—(Continued)

Excerpt from "Steel," published by Penton Publishing Company.

"The cold truth is that the average citizen has more faith in industry and in the free enterprise system than he has in the ability of some of industry's leaders to administer the system properly."

EDITORIAL STATEMENT
The Wall Street Journal.

"The United States, which prides itself on being one of the advanced countries, has been trying a large element of agricultural Utopia for years, with results still unsatisfactory to both growers and eaters of food."

CHARLES SAWYER
Secretary of Commerce.

"The government's powers to assist in carrying out any expansion of supply or production which may be found necessary should be strengthened and tied in specifically with the objective of promoting maximum employment and production and the national security."

EDITORIAL STATEMENT
Chicago Journal of Commerce.

"It has been shown that in America tools do 90 per cent of the work and men about 10 per cent. Yet workers received 18 times as much money as the owners of the tools. An 18-to-1 ratio makes poor reading to the preachers of foreign gospels—and good living for the vast majority of Americans."

ELLSWORTH C. ALVORD
Chairman, Committee on Federal finance, Chamber of Commerce of the United States.

"Reasonable provision for debt reduction, without addition to the oppressive burden of taxation, requires elimination of wastes and inefficiencies, abandonment of dispensable activities, every feasible reduction of personnel, and most careful scrutiny of proposed new or enlarged undertakings."

LINDSAY C. WARREN
Controller General.

"This unsegregated, sprawling crop of government functions and functionaries cannot hope to operate efficiently or to do well the job the taxpayers are paying for unless some one can assume the burden of putting like functions together, to make only one or two bureaus grow where dozens grew before."

BARNEY BALABAN
President, Paramount Pictures, Inc.

"'Profits,' in some quarters, has become an ugly word, denoting something evil and predatory. Personal incentive has been pictured as the Law of the Jungle. Those who espouse these views play with dynamite. The record of history discloses that they have been the inevitable prelude to the relinquishment of other human rights."

IRA MOSHER
Chairman, Finance Committee, National Association of Manufacturers.

"To be effective, sooner or later, economic controls lead to a centralized system with the state determining what things may be produced in what amounts, how many people will be employed to produce them, and what their reward will be for producing them. This is regimentation no matter how the planners try to disguise it with their pet catchwords."

AN ARCHITECT GOT A MONEY-MAN TO ADMIT,

"I never thought of floors in relation to earning power"

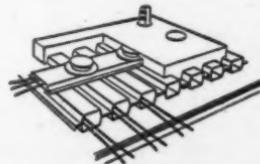


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The steel cells of Q-Floor are crossed over by headers for carrying the wires of every electrical service, regardless of how many new business machines may be invented. An electrical outlet can be established on every six-inch area. It requires but a small hole, takes literally only a few minutes. No muss with trenches. Tenants can have as many outlets, changed as often and located exactly, as they please. Such permanently flexible floor plans keep a building permanently modern. The exterior may grow old-fashioned, but with live arteries of power in the floors, the building itself will never be electrically outdated.

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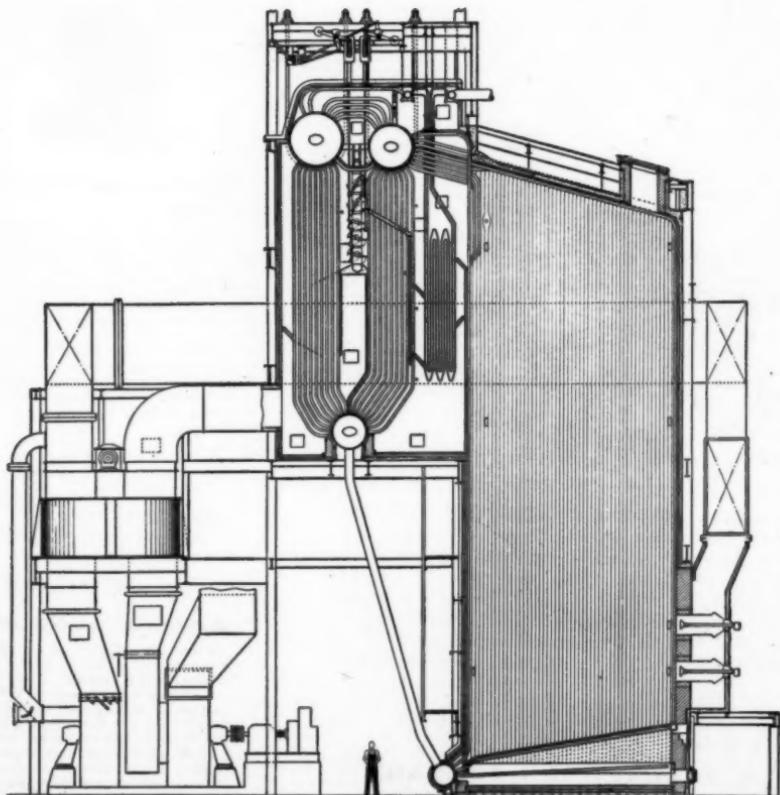
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The unit is of the 3-drum type with superheater in the first pass. Regenerative type air heaters follow the boiler surface. The furnace is completely water cooled, using closely spaced bare tubes, and has refractory covered tubes forming the bottom. This unit is arranged for firing oil and natural gas either separately or in combination.

Two additional C-E Units are on order for this station. They are designed for 400,000 lb nominal steam capacity at 875 psi and 910 F.

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ness during the years to come.

If fewer than half of your employees are participating in Payroll Savings, you have a lot to gain by following this five-step program. All the help you need is available from your State Director, U. S. Treasury Department, Savings Bonds Division.

The Treasury Department acknowledges with appreciation the publication of this message by

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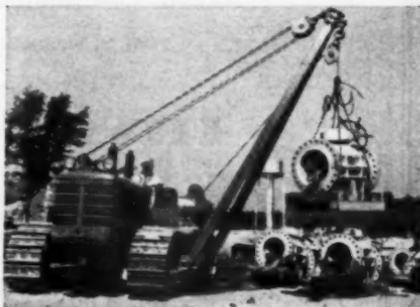
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INTERNATIONAL HARVESTER COMPANY • Chicago



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REMINDER —to Utility Executives

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TOM P. WALKER—*Vice President in charge*

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RICHARD H. WEST, *President*

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION



Utilities Almanack

MAY

MAY

MAY

26	T ^h	¶ <i>Natural Gas and Petroleum Association of Canada begins annual meeting, London, Ontario, Canada, 1949.</i>
27	F	¶ <i>Northwest Electric Light and Power Association, Personnel Section, ends meeting, Seattle, Wash., 1949.</i> ☺
28	S ^a	¶ <i>Fourth International Gas Conference will be held, London, England, June 15-17, 1949.</i>
29	S	¶ <i>Advertising Federation of America begins annual convention, Houston, Tex., 1949.</i>
30	M	¶ <i>American Water Works Association begins annual conference, Chicago, Ill.; 1949.</i>
31	T ^u	¶ <i>Edison Electric Institute begins annual meeting, Atlantic City, N. J., 1949.</i>

JUNE

JUNE

JUNE

1	W	¶ <i>Fourth Annual Short Course in Gas Technology ends, Kingsville, Tex., 1949.</i>
2	T ^h	¶ <i>Oregon Independent Telephone Association and Washington Independent Telephone Association will hold convention, Spokane, Wash., June 17, 18, 1949.</i>
3	F	¶ <i>Kentucky Broadcasters Association begins one-day meeting, Louisville, Ky., 1949.</i> ☺
4	S ^a	¶ <i>Public Utilities Advertising Association will hold annual meeting, Cincinnati, Ohio, June 20, 21, 1949.</i>
5	S	¶ <i>American Society for Engineering Education will hold annual convention, Troy, N. Y., June 20-24, 1949.</i>
6	M	¶ <i>American Water Works Association, New Jersey Section, will hold one-day meeting, Wanaque, N. J., June 23, 1949.</i>
7	T ^u	¶ <i>California Independent Telephone Association will hold annual convention, Los Angeles, Cal., June 23, 24, 1949.</i>
8	W	¶ <i>Michigan Gas Association will hold annual convention, Mackinac Island, Mich., June 24, 25, 1949.</i>

A Doggy Passenger for Busco Transit

San Francisco municipal transit now permits dogs to ride upon payment of regular fare (10 cents).



Public Utilities

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A Middle Way For The Northwest

A plea for a compromise between Federal and local domination in controlling public power and other river developments in the Columbia basin.

By THE HONORABLE WALT HORAN*
U. S. REPRESENTATIVE FROM WASHINGTON
MEMBER, UNITED STATES HOUSE COMMITTEE ON APPROPRIATIONS

PERHAPS no other region in the United States or North America is more naturally equipped for an expanded development in the next two decades than that of the Pacific Northwest—roughly, the area drained by the Columbia river and its tributaries.

The Columbia river is both an interstate and an international stream. With its 73 tributaries, it drains a large area of western Montana, a small part of Wyoming, nearly all of Idaho, part of

British Columbia (in Canada), and well over 50 per cent of both Oregon and Washington.

Those persons who are familiar with the potentialities and characteristics of this river realize that any construction, regulation, or any other action taken at any point along its course has a definite and related effect upon the entire waterway. For that reason, no one state nor any portion of any state can be allowed to exercise an arbitrary control over its flow. In addition, the water-storage and water-

* For personal note, see "Pages with the Editors."

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shed-protection features in the higher levels necessarily are components of the power, flood-control, and navigation systems in the broad reaches below.

The region known as the Pacific Northwest, in fact, already has been developing rapidly. The population of the region as a whole has increased 37 per cent since 1940, while the residents of Oregon have increased from 1,088,284 in 1940 to 1,626,000 in 1948, with Washington's population up from 1,719,143 to 2,487,000 for the same period. More than 40 per cent of the nation's saw timber is located in this region, together with a number of important minerals, including 50 per cent of our nation's known phosphate reserves.

But it is generally recognized by all interests that the promise implicit in the Pacific Northwest can be fulfilled only if the Columbia river is harnessed intelligently for such things as flood control, irrigation, soil and forest conservation, low-cost transportation, and the generation of hydroelectric power for expansion in the aluminum, electro-chemical, electrometallurgical, atomic, and other industries.

ON the Tennessee river and its tributaries, the TVA has developed about 2,300,000 kilowatts of generating power, which is not far from the maximum the river can produce. Not more than 400,000 kilowatts remain to be developed and this capacity is more or less questionable. On the Columbia river—the principal power stream of the nation—two government dams, Bonneville and Grand Coulee, have a capacity of approximately 1,600,000 kilowatts, while the total potential of this stream and its tributaries

is in the neighborhood of 20,000,000 kilowatts. (President Truman estimates the potential at 30,000,000 kilowatts.) Thus, the Tennessee river is producing half again as much power as the Columbia, although the Columbia has at least five, and perhaps ten, times the potentialities of the Tennessee.

Every resident of the Pacific Northwest, on learning these facts, has pondered deeply some other important points. The Northwest, because of its phenomenal population growth, is up against the problem of retaining this growth and adding to it. But the timber resources there cannot indefinitely bear the burden. The citizens look with great disfavor upon the undeveloped kilowatts all around them.

That the region must have those kilowatts developed for its own economic progress and safety is apparent. Coupled with this obvious fact is the important point that these kilowatts would add enormously to the military safety of the nation. World War II proved the great dependency of America on vast power pools, and now atomic energy production vastly increases the need in the Northwest.

IT is no secret that there are two separate and widely different viewpoints in the Northwest as to what should be done, other than what is being done. On the one hand, there is the group that has agitated for a Columbia Valley Authority, patterned more or less after the Tennessee Valley Authority. This group would give up their birthright for a mess of pottage from Washington, D. C. The more enthusiastic of these "authority" enthusiasts, whether they realize it or not, are col-

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lectivists at heart, wanting to give over to some group outside their valley the control of their destiny. On the other hand, there is the group that is for the status quo.

Members of this group offer nothing as an alternative to the CVA idea and, in fact, plug for the retention of the present jumbled setup. Little as they realize it, these persons unwittingly deny their own words that they are fighting Federal control, for, of course, there already is a great deal of Federal control at work in the Columbia valley. Today, there are some 17 different government agencies concerned with the development of the Columbia river. I should like to remind those who speak in dread of Federal control, as if it did not exist, that for 119 years the Federal jurisdiction over the rivers of this nation has increased—and that the "existing agencies" are the arms of that jurisdiction. As the courts now interpret the commerce clause in the Federal Constitution, our central government has final authority over a river system from the ocean to the upper end of the last brook in the watershed. That clause simply provides: "To regulate commerce with foreign nations, among the several states, and with the Indian tribes."

To those who defend the present setup and "existing agencies," I

would like to ask: What are these "existing agencies," that *they* should be so jealously protected in their positions? Do *they* represent the people who live in the Columbia region? Are *they* responsible to the residents of the Columbia drainage area? We find ourselves in the Pacific Northwest engulfed in Federal jurisdiction—yet those who claim to fear that very condition most are today its paradoxical defenders.

I believe we should pause and candidly review what has been done. We should take stock lest the juggernaut of our own creation crush valuable units of local and state government which we should cherish and protect. I do not by any means oppose the Federal government playing a proper part in any river development. There are provinces of authority which necessarily must be reserved to Federal jurisdiction. But, just as surely, there are provinces of authority for the state governments and for the people all along the river to play. It is not all or nothing. In our present complex society, the development of a river—any river—should be done in unison, as the members of a concert band play. The net result—a grand cacophony of prosperity—is what I desire, and it is what I believe the people of the Columbia valley desire.

The proper development of the Co-

¶ . . . "It is generally recognized by all interests that the promise implicit in the Pacific Northwest can be fulfilled only if the Columbia river is harnessed intelligently for such things as flood control, irrigation, soil and forest conservation, low-cost transportation, and the generation of hydroelectric power for expansion in the aluminum, electrochemical, electrometallurgical, atomic, and other industries."

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lumbia river region definitely calls for a new approach to the problem of Federal-state-local relationships. That problem cannot be solved either by stagnation or by extremist programs. There is a middle way.

PERSONALLY, I am convinced that there is a third group in the great Northwest, who, if they could be adequately informed of the alternative I offer, would grab it to their hearts. My plan would bring *action*, but it would not bring *control* either from Wall Street or from Washington, D. C. To me, it is just as bad to place unlimited economic power in the hands of a few bureaucrats in faraway Washington, D. C., as it would be to allow a few selfish financiers from Wall Street, or elsewhere, to obtain an economic strangle hold over our destinies.

I have formulated my plan to meet the great yearning of the people of the Northwest who neither are die-hard rugged individualists nor advocates of totalitarianism in any form, however subtly it may be disguised. They are the sane, hard-working, forward-looking men and women who own a little property, want to see their region progress and prosper, but want to keep control of their own affairs in their own hands, in so far as this is possible and feasible in line with the needed development of the area.

So many people in the Northwest feel the need for a better coördinated program for development of the Columbia's resources, it is evident that all is not perfect under the present system. That the Columbia Valley Authority plan is so bitterly opposed by so many is equally indicative that the CVA is not necessarily the acceptable answer.

It is for these reasons that—five years ago—I first formulated my middle-of-the-road approach. It is embodied in what is known as the "CIC Bill" an abbreviation for the Columbia Interstate Commission bill (HR 3636), from which President Truman and the Democratic administration borrowed liberally, to put it mildly, when making up the Columbia Valley Administration legislation recently presented to Congress. The President's new CVA Bill is not exactly the same as my bill and does not include all the good provisions of my bill. But it certainly pays my bill the compliment of imitation to an almost amusing degree.

Under the CIC Bill, there would be set up a 5-man commission, appointed by the President. Four of the members would be nominated by the governors of Washington, Idaho, Oregon, and Montana. The fifth member would be appointed at large. In addition, there would be an advisory council of seventeen persons, including the governors of the four states, plus the directors of conservation and development of these four states and of Wyoming. The Columbia system drains only a small portion of Wyoming, hence its restricted representation.

The bill calls for a Federal corporation, with headquarters located in the region and properly respecting the existence and rights of the states. It also provides for making the benefits of resource development available to private industry and the protection of private industry already existing in the region.

THE CIC Bill provides for the utilization of every Federal agency in the development of reclamation, navigation, flood control, pollution control,

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CIC Bill Unique

THERE are many ways in which the CIC Bill is unique among river development proposals. The Columbia Interstate Commission Bill is the only proposal for a Federal corporation which guarantees the full benefits of collective bargaining to its laborers and mechanics and the security of Civil Service status to its administrative employees."

and all the other benefits which flow from intelligent development of the Columbia. In the legislation, I also have tried to take full advantage of the existing agencies within the states, as, for instance, the Columbia Basin Commission in Washington state, which for years has served as a model for intelligent state participation in natural resources development.

The remaining members of the advisory council, already mentioned, would be two additional members from each of the four states. The suggestion is that Oregon, Idaho, and Montana should form Columbia basin commissions, on a nonpartisan basis, similar to that already existing in Washington, and that members of these commissions would be the representatives on the advisory council.

This advisory council would in no sense be a window-dressing device or other front for actual Federal control from Washington, D. C. It would have in itself *basic* control over the determi-

nation of policies and programs to be presented to Congress for approval, the payment of debts and of money in lieu of taxes to state and local governments, the priority relationship of projects, and other such matters. Instead of having seventeen different Federal agencies going before several different committees of the Senate and House of Representatives each year, seeking funds for their separate purposes, there would be one budget submitted and one complete study by Congress of the whole Columbia valley developments, past, present, and contemplated.

IT is contemplated that all projects to be undertaken by the CIC will be self-liquidating. The commission would act as an independent corporation under the Federal government and would be required to reimburse the U. S. Treasury for every revenue-producing loan or appropriation made to it by Uncle Sam.

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There are two major stages in the development of a river system: The first is the planning and construction of physical properties. The second is the stage of operation which begins after the projects are built. In the case of the Columbia valley, we already have entered upon some phases of the second stage while still in the midst of the first.

During both of these stages, it is tremendously important that the united or conflicting interests of the people living in the affected area be given just consideration. During the first stage, major sacrifices must be made by some persons in order to clear the way for a new project. In the second stage, continued watch must be maintained that the original purposes of the development are achieved, that the Federal investment is reimbursed to the Treasury, and that the project is not subjected to controls or manipulation contrary to the best interests of the people.

The CIC Bill (HR 3636) is the only proposal for comprehensive river development yet propounded which guarantees an effective measure of local control to the people resident in the area affected and still meets constitutional requirements and congressional demands for policy and budget review.

THERE are many ways in which the CIC Bill is unique among river development proposals. The Columbia Interstate Commission Bill is the only proposal for a Federal corporation which guarantees the full benefits of collective bargaining to its laborers and mechanics and the security of Civil Service status to its administrative employees. The employee relations sec-

tions of the bill have been worked out in the light of experience with TVA, the Bonneville Power Administration, and other such corporations—all of which have been criticized severely by the Civil Service Commission because they operate outside the Civil Service system.

The CIC Bill was the first proposal to provide for full public hearings in the area on any proposal for a change of policy or a new project. It was the first bill to make specific provision for rehabilitation of existing resources, such as the half-billion-dollar fishing industry, when they are damaged by construction of dams or other works. It was the first to call for coöperation with the Canadian government on joint operation of water and power facilities to the benefit of both countries. All of these provisions have now been copied into the Truman administration's CVA Bill.

The CIC Bill is the only bill which effectively allows the people in a local area to determine for themselves whether they want public or private power distribution. It also is the only such bill giving first priority on new power supply to farm and domestic consumers.

THE Pacific Northwest is one of the most progressive and prosperous regions in the United States, with native resources far richer than what TVA had to work with. No program of subsidy-in-effect is needed by the self-reliant, determined, progressive citizens of the Northwest. The Northwest has a very high per capita income, and Oregon, Washington, and Idaho are among the top eight states in rural electrification. This is largely due to

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the fact that its electric power can be developed cheaper than in any other section of the country, because of the peculiar efficiency of the Columbia river. This is the reason we become impatient with anything less than the most vigorous and well-coordinated program for harnessing this great river.

Working through the Army's Corps of Engineers and the U. S. Bureau of Reclamation, the Pacific Northwest has developed within 10 per cent as much power at Bonneville, Grand Coulee, and other Federal projects, as TVA has developed at 28 dams—and for less than half the cost. The Army Engineers have provided ocean-steamer navigation as far up the Columbia as The Dalles, Oregon, 200 miles from the sea. The Bureau of Reclamation is developing at Grand Coulee one of the largest reclamation projects in America—the 1,200,000-acre Columbia basin project, in Washington state. And Bonneville and Grand Coulee are repaying their weighted cost, with interest, in fifty years.

THE Pacific Northwest is short of power. The fastest-growing region in America, it needs at least 6,000,000 kilowatts more in the next ten years to keep pace with its needs. But it has 40 per cent of the nation's hydro sites and the Army Engineers have completed comprehensive plans

for basic development. If they are approved, it can supply its power needs through Federal, municipal, and private company projects. The Pacific Northwest has a flood-control problem, but here again the Army Engineers have a plan that will cut flood damage to 10 per cent of last year's figure.

On the other hand, TVA has a power shortage. Its hydro sites are about exhausted and it is exciting a national controversy by asking Congress for \$54,000,000 for steam plants. These, however, it must have if it is to be efficient as a supplier of demand energy.

The purpose of creating a Columbia Interstate Commission is to provide a vehicle for the orderly development of the tremendous resources with which this region has been blessed, to give voice to the residents of the Pacific Northwest in determining the policies directing the course of this development, to extend the benefits of the development to the growth of the true private enterprise in the area, and to guarantee to the Federal government a sound administration of the projects in the Columbia region in which the taxpayers have a multi-billion-dollar investment.

If any statement were needed to demonstrate the absolute necessity of revising our present system of resource development, the report issued by the Hoover Commission dealing with Nat-



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ural Resources and the Department of the Interior offers plenty of reasons for seeking a new approach to the problem.

In making my own study, over a period of many years, I have been sympathetic to the sincere objectives of the standard proponents of the valley authority principle. My own bill is an attempt to remedy the obvious defects in the authority bills and still attain the objective of comprehensive regional development.

My basic objections to the "valley authority" bills have been, for the most part, the following:

1. No adequate provision has been made for giving the people who reside in an area, through their state governments, an effective voice.
2. Such provision as has been made in these legislative recommendations for local advisory councils has been proposed on a "pressure group" basis. To me, this smacks too much of the corporative state and is repugnant to American traditions.
3. No effective guaranty has been made as to the rights of employees of the authority, either through Civil Service or collective bargaining.
4. In attempting to avoid colonialism from Wall Street, the Authority proponents have advocated colonialism from Washington, D. C. To me, either condition for the Pacific Northwest is intolerable.

None of these objections has been met in the new Truman CVA Bill.

It happens that many of the criticisms leveled against the practical operation of our present Federal resource agencies by the Hoover Commission

are right in line with my own thinking. And it also happens that many of the Hoover Commission recommendations fall right in line with my own proposal for a new agency to coordinate Federal and state activities in the Columbia river region—to put them on a more orderly basis and to give a measure of local control to the people living in the area.

There have been so many things said both for and against proposals for a CVA which have been based on special interest or prejudice that it is difficult to discuss the subject in terms of the basic principles involved. Yet, the Hoover Commission report does treat these basic principles in a candid and impartial manner. To those who have smugly insisted that the existing Federal agencies were doing a good job and that no need exists for a program of comprehensive river development, the findings of the Hoover Commission's task force are more devastating than any statements I might make. Therefore, I want to list some of the points made in the Hoover Commission report regarding the present hodgepodge of Federal activities on the Columbia river.

The commission lists seven major defects in the organization of governmental services now engaged in water development programs. They are:

1. THERE is no effective agency for screening and review of proposed projects to determine their economic and social worth—no effective review of the timing of the undertaking of these projects in relation to one another or in relation to the nation's ability to build them or the region's ability to absorb them.



The Prosperous Northwest

THE Pacific Northwest is one of the most progressive and prosperous regions in the United States, with native resources far richer than what TVA had to work with. No program of subsidy-in-effect is needed by the self-reliant, determined, progressive citizens of the Northwest. The Northwest has a very high per capita income, and Oregon, Washington, and Idaho are among the top eight states in rural electrification."

This defect would be eliminated by my bill for a Columbia Interstate Commission—charged with the duty of performing the very function the Hoover Commission reports is now lacking.

2. THERE is duplication and overlapping of effort—and policy conflicts between the Army Engineers and the Bureau of Reclamation as to jurisdiction over projects.

The Hoover Commission recommends combining the civil functions of the Army Engineers with the Reclamation Bureau. I would go one step farther and give to the Columbia Interstate Commission the authority to select the Federal or state agency best fitted to carry out any specific function. Thus, the full responsibility for ending duplication and conflict would rest with the CIC—the people's own agency.

3. THERE is an inherent conflict between the most efficient operation of storage dams for flood control and other dams primarily used for generation of hydroelectric power. This can be solved only by a consolidated administration.

My CIC Bill places this consolidated administration in the hands of the people whose lives and fortunes are directly affected by the flood-control, power production, and reclamation facilities in the Columbia river region.

4. THERE is considerable doubt as to the assignment of capital costs on the one hand and the recovery of costs on reimbursable features of multiple-purpose projects.

Since my bill for a Columbia Interstate Commission makes specific provisions for allocation of costs, determi-

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nation of reimbursability, and a proper relationship between various features of these projects, it offers a reasonable solution to this problem.

5. THE Federal laws in respect to the Bureau of Reclamation—embracing some 803 pages—are too indefinite, complex, and contradictory.

Much of this contradiction stems from the attempt of the Congress through many years to set up a single set of Reclamation laws which will apply to every river basin in the country. This—from a practical and geo-physical standpoint—is impossible, since no two river basins have the same characteristics and no two present the same problems. My CIC Bill is tailored specifically to meet the conditions and needs to be found in the Columbia river region.

6. THERE is no uniformity of principles guiding congressional authorization of these projects. Some are authorized under reclamation law, some under flood-control law, some under their own special legislation.

My CIC Bill would place all Federal river development activities under one comprehensive body of law, eliminating much of this confusion.

7. THE hydroelectric power and irrigation aspects of Federal river development are essentially business enterprises. Yet, they are subject to many deficiencies and they lack the flexibility of management, accounting, audit, and budgeting.

My CIC Bill would place these business activities in the hands of a Federal corporation, which would have authority to do its business in a busi-

nesslike manner, under close supervision of the people of the Northwest, who are its principal stockholders as well as its laborers.

But the Hoover Commission places its greatest emphasis on what it calls the disastrously wasteful conflict between competing governmental agencies in the river-development field. The elimination of this conflict, and the blending of the work of all Federal agencies, state governments, and local interests into a single program—with the basic control over policy kept in the hands of the states of Washington, Oregon, Idaho, Montana, and Wyoming—are the essential features of my CIC bill.

Here is the Hoover Commission's comment on the attempts made to date to compose these differences. I want to call particular attention to the comments on the Columbia Basin Inter-Agency Committee—which, I think, was a good and sincere attempt in the right direction, but, without some statutory authority to reach decisions and to enforce them, was doomed to failure:

"The function of river development is a multiple-purpose one, cutting across many of the unifunctional agencies. Experience has shown that parcelling out development responsibilities among these functional agencies produces endless confusion and conflict. A plan for the development of a river basin cannot be devised by adding together the special studies and the separate recommendations of different agencies concerned with navigation, flood control, irrigation, land drainage, pollution, power development, domestic and industrial water supplies, fishing, and recreation.

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"These varied and sometimes conflicting purposes must be put together and integrated in a single plan of development. . . .

"No effective method has been found for reconciling conflicting opinions and programs . . . the interagency committees have failed to solve any important aspects of the problem . . . because the dominant members have been unwilling to permit interagency committees to settle their differences."

CLEARLY, this points out the need for an agency—representative of the people themselves—capable of composing those differences and reaching decisions today that will not be reversed tomorrow.

It is incomprehensible to me how anyone can believe, on the basis of its report, that the Hoover Commission was weighted in favor of concentrated Federal development, or that the majority of its members were favorable to public power. All the advance reports released by the so-called experts as to what they thought the commission was going to recommend were slanted to indicate the commission would discourage the idea of coördinated basin-wide development of the nation's rivers. Exactly the opposite came to pass:

FIRST, the commission recommended continuance of the TVA, as an experiment which should be brought to its completion.

SECOND, the commission recognized the essential need of development on a watershed-area basis. In other words, it recognized what some people in even the Northwest do not seem to realize—that a river like the Columbia cannot belong to one state alone and cannot properly be developed by one state alone.

THIRD, the commission recommended establishing some type of interstate commission to coördinate Federal river development activities in any given area and to give the states representation on such a commission.

But that is where the Hoover Commission stopped. In so doing, it left us right where the advocates of conventional valley authority proposals stop—with complete domination by the Federal government over river development, and no truly representative voice—no local control—reserved to the people of the states concerned.

That is the point at which my bill for a Columbia Interstate Commission takes up the rights of the people in the Pacific Northwest. For my CIC legislation is the only proposal for coördinated river valley development which does make adequate provision for truly local control and participation in shaping the policies to be followed, and in making it possible for the people of the great Northwest to make incomparable strides forward in the way of achieving the manifest destiny of their great region.

ACCORDING to a shaded map published in THE RURAL ELECTRIC MIS-
SOURIAN, every state in the TVA service area (Kentucky, Ten-
nessee, North and South Carolina, Mississippi, Alabama, and
Georgia) is below the national average of rural electrification ac-
cording to official REA estimates of June 30, 1948.



Power to the Empire State

With the renewed agitation for the St. Lawrence power development have come reports of a power shortage in the New York state area. What is the truth of these reports and what are the existing electric utility companies in that region doing about it? The author has made a careful survey of the situation at close range and finds that the Empire state utilities are very much "on the ball" in power planning.

By J. LOUIS DONNELLY

PRIVATE electric utility companies in the upstate New York area are not waiting on possible hydro power from the St. Lawrence and Niagara rivers but are steadily improving their capacity positions and within a few years should have normal margins of reserve capacity for emergencies and growth. This is their answer to Federal and state charges of inability to meet increased demand.

These companies are directly affected by agitation for the St. Lawrence river power project. New York state is seeking control of the proposed installation through its power authority and Washington officials seek control as a Federal authority.

Several private companies, Niagara Hudson Power Corporation (Buffalo Niagara Electric Corporation, Central New York Power Corporation, and New York Power & Light Corpora-

tion), New York State Electric & Gas Corporation, Rochester Gas & Electric Corporation, Central Hudson Gas & Electric Corporation, and Rockland Light & Power Company, have been active in the postwar period in planning new energy installations in their territories. New capacity to be added by these companies in the 4-year period 1948-1951, will be in excess of 1,250,000 kilowatts rated capacity.

As in other areas in this country, managements of these private companies have planned to overcome increased loads resulting from the wartime increase in demand plus added postwar growth. They have not depended on political promises of new hydro energy.

The industry in this section faces another somewhat tight period this year and may have to call on interconnections to meet peak demand require-

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ments. In 1950 there should be some excess and this situation should be further improved in 1951.

The Upper New York Power Pool, which includes the Niagara Hudson system, Rochester Gas & Electric, and New York State Electric & Gas, accounts for 95 per cent of the capacity of this area. Figures for this group show that there was a reserve margin of generating capacity during the December, 1948, peak period of .9 per cent as compared with 6 per cent for the country as a whole.

FOR 1949, with very little increase in capacity, but allowing for a 5 per cent rise in peak load, there may be a deficit ranging from 3.6 to 5.1 per cent depending on hydro conditions. New capacity in 1950 will more than offset an expected 4.2 per cent gain in peak load with the result that a reserve of 5.1 to 6.5 per cent is forecast. A further improvement is anticipated by this group in 1951 with the margin of reserve capacity expected to range from 6.6 to 8 per cent, based on a 4.1 per cent increase in peak load.

Additional reserve will be required by these companies to reach a normal margin and it is here that the political picture enters. If no action is taken to obtain new hydro power from the St. Lawrence or from Niagara Falls, managements will soon have to contract for additional generating equipment.

The power situation has greatly changed in upstate New York as a result of the war.

Largest of the systems, Niagara Hudson, before the war had surplus capacity and was a wholesaler to neighboring utility systems. Now it is a large purchaser from other companies.

Of the power generated in 1948 by the several companies in the area, 54 per cent was hydro. This percentage had dropped to 43 per cent in 1948 due to steam installations and by 1951 will decline further as steam will then account for 63 per cent and hydro only 37 per cent.

NEW YORK STATE ELECTRIC & GAS, which has been the largest purchaser of power from Niagara Hudson, is gradually reducing its outside requirements due to installation of new steam units. Indications are that New York State Electric & Gas, for its interconnected lines in the central part of the state, will have sufficient capacity to meet its own requirements but will continue a purchaser of power for the remainder of its system.

Another company, Rochester Gas & Electric, has maintained a comparatively good position throughout and should continue to do so.

Central Hudson, headed by Ernest R. Acker, who is also president of the Edison Electric Institute, now finds it necessary to supply a substantial part of its own requirements after being a large purchaser of power over a period of years. Consolidated Edison Company of New York, Inc., which will need additional power for its own lines and the proposed consolidation with the Long Island Lighting Company, has canceled its agreement with Central Hudson, effective at the end of 1951. By that time the utility, which serves the area around Poughkeepsie, will have offsetting capacity.

STATUS of the St. Lawrence river power project at present is most uncertain. It is back in Congress where

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it has failed to make headway for a good many years. New York state has sought to go ahead with the construction of the proposed hydro installation along with the Province of Ontario, without the seaway development. Application for such a move is pending before the Federal Power Commission and has been made to the International Joint Commission. Hearings have been held by the Federal Power Commission but before action can be taken by the international group, there will have to be a recommendation made by the State Department. That is where the Washington administration has succeeded in again returning the project to the former status of being a part of the combined St. Lawrence seaway and power project.

Legislation pending before the Senate provides again for New York state, through its power authority, to develop the American part of the power project. The New York state legislature, in a bill signed by Governor Dewey, has broadened the rights of the state body.

In approving the bill, Governor Dewey stated that it eliminates two undesirable restrictions; namely, the requirement that the power authority have firm contracts for the disposition of its power before issuing any bonds and some of the restrictions regarding construction of transmission lines.

The authority is authorized to build or obtain, through contracts with private utilities, such power transmission lines as may be necessary to conduct electricity from the project to load centers in the vicinity. The legislature denied a request to permit the building of or acquisition of necessary lines wherever they were needed.

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IT appears that this year will be the last in which proponents of St. Lawrence power can obtain backing for their project on the basis of a power shortage. Starting in 1950 that reason for its need will probably have disappeared. However, there are numerous other reasons why such power would be advantageous, particularly the development of the northern part of the state.

Another possible project is the redevelopment of the American side of the Niagara river to make use of the full head available at a location below the lower rapids. Niagara Hudson interests assert that if the necessary permits and licenses could be secured in the near future, redevelopment might be so scheduled that the initial stage would be in operation in about 1954.

Here again there would be a controversy and the New York Power Authority is anxious to be the one to develop the water-power resources of the Niagara river. Last year in commenting on the Niagara river status, the authority asserted that the Schoellkopf plant of Niagara Hudson utilizes only about 215 feet of the potential 312-foot head around the falls and the lower rapids. It was asserted that a modern full-head development, such as was recommended by the authority in 1939, would make 587,000 kilowatts of additional hydroelectric power capacity available without disturbing the use of the existing Schoellkopf plant.

FIRM energy output of the United States portion of the St. Lawrence project would be equivalent to 570,000 kilowatts of firm power. Total American share of the installed capacity would be 940,500 kilowatts.

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Aluminum Company of America now has about 75,000-kilowatt capacity on the river, which would be flooded out by the St. Lawrence project, and this probably would have to be made good under the new arrangement. Also, the government has a new plant, operated by Alcoa during the war, which needs 130,000 kilowatts but is not now operating. This plant might use some secondary power. Also, other industries requiring large amounts of cheap power would probably be attracted to the area.

It is thus seen that the longer-term planning of the private companies in the state is definitely complicated by the availability of large blocks of cheap hydro power. However, there is extreme uncertainty as to when it can be developed. Any long delay could force the private companies to expand costly construction programs and make for excess capacity in the area, at least in the early stages. Clarification is hoped for during the next year or two. Early action could allow this output to readily fit in with company planning.

Upstate New York is one of the most populous areas of the United States. Excluding the metropolitan area, this section would rank seventh in the number of inhabitants, being exceeded only by Pennsylvania, Illinois, California, Ohio, Texas, and Michigan. After losing ground with respect to population to the metropolitan New York city area from 1920 through 1940, upstate New York has since pulled ahead. In the last eight years it has shown a population increase of 10.8 per cent as compared with a gain of 6.5 per cent for the more populous area of the state.

Utilities located in the upstate area

are adding 55 per cent of the new electric capacity being installed in the entire state and 4.2 per cent of the total for all business-managed companies in the country.

Since VJ-Day, firms in upper New York have announced expansion programs involving more than \$250,000,000.

Boosters of the area cite these advantages:

1. World's wealthiest and most concentrated market for producer and consumer goods.
2. Abundant fuel, power, minerals, water, and manufacturers' supplies.
3. A rail, water, highway, air transportation system unequaled anywhere.
4. Most productive skilled-labor population in the nation with record for stability.
5. Nation's finest business, research, and service facilities.
6. Friendly and vigorous state government with favorable tax program.
7. A topography, climate, and business tradition that stimulate enterprise.
8. Enterprising and progressive business community.

These are some of the claims advanced for this region by the New York Department of Commerce.

LOCATED in upstate New York are six of the largest cities in the country. In order of size these are: Buffalo, Rochester, Syracuse, Albany, Utica and Binghamton. One large city, Yonkers, is included in the metropolitan area.

Buffalo is the world's leading inland port in dollar volume of traffic, and is second only to Chicago as a railroad center. In this area are industries resulting from its favorable location: milling, steel, and automotive assembly. The milling industry has outstripped Duluth and become the largest



World's Leading Inland Port

BUFFALO is the world's leading inland port in dollar volume of traffic, and is second only to Chicago as a railroad center. In this area are industries resulting from its favorable location: milling, steel, and automotive assembly. The milling industry has outstripped Duluth and become the largest in the world."

in the world. The Niagara frontier ranks sixth in the national steel production. Almost 25 per cent of the nation's total purchases of industrial supplies are made in the counties of the Buffalo area. The region produces about one-third of all the linseed oil in the United States. The processing of soy beans is rapidly growing in importance there. The largest dye plant in the country is located in Buffalo.

Carborundum, carbide, and other abrasives are produced by cheap Niagara Falls power. Chemical products of a wide assortment flow from frontier plants in an amount exceeding \$100,000,000 a year.

THE next most important industrial district is Rochester. Here there is world leadership in manufacturing film, cameras, photographic supplies, optical goods, and lenses. Also important is the manufacture of check protectors, dental equipment, thermometers,

eters, and other control-recording devices and scientific instruments. In some of the largest plants of their kind, six of the nation's outstanding men's apparel manufacturers turn out many accessories in addition to suits and overcoats.

At Schenectady are located two great industrial corporations, General Electric and American Locomotive. Albany is the third largest express transfer and sixth largest mail transfer point in the country. Utica ranks third in the nation as a manufacturer of knitted underwear. Amsterdam is the largest carpet-producing center. Rome, known as the "Copper City," processes one-tenth of all copper mined in the United States. Largest aluminum wire and cable plant is located at Massena. The Endicott-Johnson shoe factories are located near Binghamton, along with International Business Machines' huge plant. At Elmira is located Remington Rand's typewriter plant. Metals and

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machinery and other manufacturing are important items at Syracuse. Columbian Rope Company at Auburn is one of the world's largest rope producers.

IN recent years mining companies have invested \$40,000,000 in developing the Adirondack iron ore deposits. One company is now extracting five times as much iron ore as the total annual amount by this region in the late 1930's.

Agricultural raw materials are produced on nearly 150,000 farms of which more than 90 per cent are owner occupied. In 1945 there were 82.2 per cent of these farms electrified, well above the national average of 47.6 per cent. Most important farm item in the area in dollar value is dairy products while vegetables represent the principal crop. Total value of farm property in 1945 was in excess of a billion dollars.

It can readily be seen what the impact of war could mean to such a widely diversified territory. The local economic trend in the past has always followed national trends closely and is expected to continue to do so in the future.

As previously pointed out, the impact of the war had its effect on a large utility system such as the Niagara Hudson companies. In the nine years from the end of 1938 to the end of 1947, this system gained only about 350,000 kilowatts in firm resources while the peak load increased over 800,000. In no other major utility east of the Mississippi river and north of the Mason-Dixon line did the war leave so severe a deficiency of power facilities.

THIS system covers roughly the upper half of the state of New York. It extends from Buffalo to Albany and from the St. Lawrence river to the Pennsylvania border and down the Hudson river as far as Catskill.

Resources of Niagara Hudson were increased in December, 1948, to 2,146,000 kilowatts when 160,000 kilowatts were added by the completion of two steam-electric generating units in Buffalo and Oswego.

Other projects now under way include a new steam-electric generating station at Dunkirk, with an ultimate capacity of four 80,000-kilowatt units of which two are now under construction and scheduled to be completed by the middle of 1950. A new 80,000-kilowatt steam-electric generating unit for the Oswego station is expected to be in operation in 1951. Five new hydroelectric generators, with a total capacity of 40,000 kilowatts, are being installed at the Schoellkopf station at Niagara Falls. The last of these will be in operation in May of this year. In addition other hydro developments in northern and eastern New York state, totaling approximately 65,000 kilowatts of capacity, are in the planning stage. Completion of the units at Oswego and Buffalo and other projects under construction, or planned, will provide over 500,000 additional kilowatts.

IN a recent exhibit filed with the Securities and Exchange Commission, in connection with Niagara Hudson's proposed plan of consolidation of three principal operating subsidiaries, Ebasco Services, Inc., made the following comment as to this company's status:

"For the system to be fully self-

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sufficient in 1952, additional new construction would be required in an amount of the 1951 deficiency (estimated at 121,000 kilowatts) plus 96,000 estimated additional 1952 load requirements, or a total increase of 217,000 kilowatts net after reserves. No major additions over the present program are considered feasible prior to 1952, in view of the long period still required for factory production of equipment.

"The dependence upon other systems . . . will be substantially increased during the winter of 1949-1950. . . . From information available, the neighboring systems . . . in the winter of 1949-1950 are expected to be in a substantially improved position. The aggregate working capacity of the interconnections into the Niagara Hudson system is in the order of 300,000 kilowatts, which is more than the estimated maximum needs of Niagara Hudson during the 1949-1950 winter.

It is highly improbable that the shortage in the summer and fall of 1949 could be as serious as was experienced in the summer and fall of 1948, before operation started on the new units. In the summer of 1950 the new Dunkirk station is scheduled to be in service with 180,000-kilowatt capacity, reducing outside dependence."

Discussing sales growth, Ebasco Services states: "The kilowatt-hour sales to large users are estimated only 6 per cent higher in 1952 than in 1947. Most of these sales are to electrochemical, electrometallurgical, and abrasives industries which located at Niagara Falls years ago to obtain the low-priced hydro power then being developed, and they expanded somewhat during the war when additional diversion from the Niagara river was authorized. No major expansion of these industries is expected since no more of this low-priced hydro power will be available during the forecast period. The wholesale sales, New York Electric & Gas Corporation being the principal purchaser since the war, are expected to decline as fast as that system brings in new generating capacity.

"Electric sales will continue to increase at a substantial rate during the next five years, based on assumed economic conditions. Except for sales to transportation customers, other utility systems, and to heavy industry, this substantial growth will occur in all classifications. All divisions of the Niagara Hudson system participate in this business expansion, although in varying degrees for the different classes of service.

"Electric operating revenues are expected to increase from \$111,656,000

2

Q"AGRICULTURAL raw materials are produced on nearly 150,000 farms of which more than 90 per cent are owner occupied. In 1945 there were 82.2 per cent of these farms electrified, well above the national average of 47.6 per cent. Most important farm item in the area in dollar value is dairy products while vegetables represent the principal crop. Total value of farm property in 1945 was in excess of a billion dollars."

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in 1947 to \$146,118,000 in 1952, an increase of \$34,462,000 or 30.9 per cent."

NEW YORK STATE ELECTRIC & GAS CORPORATION estimates that it will spend \$49,000,000 during the three years 1949-1951 for new electric construction.

Nearly half of the expenditures is for new power plant facilities, some of which will not be completed during the 3-year period but upon which expenditures must be made looking toward installation. Under construction or on order are plant additions with total name-plate rating of 145,000 kilowatts, with estimated peak carrying capacity of about 154,000 kilowatts. These additions are: a 40,000-kilowatt addition to the Greenridge station and a 30,000-kilowatt addition to the Jennison station, expected to be completed in 1950; and a 75,000-kilowatt addition to the Goudey station, expected to be completed in the fall of 1951. Preliminary studies are under way for another unit of at least 30,000 kilowatts for completion in 1952.

During the year 1948, New York State Electric & Gas produced approximately 59 per cent of its net output of electricity. Purchased energy received in the company's interconnected territory in the central part of the state constituted approximately 17 per cent of the net output. Substantially all of the output of the districts in the eastern and western parts of the state is derived from purchased energy.

THE territory served is divided into fourteen operating districts as follows: Binghamton, Oneonta, Liberty, Ithaca, Auburn, Geneva, Elmira, and Hornell in the central part of the state;

Lancaster and Lockport in the western part; and Brewster, Chatham, Mechanicville, and Plattsburg in the eastern part of the state. Approximately 70 per cent of the electric revenues during 1948 was derived from the interconnected properties in the central part of the state.

In a 5-year program started in 1947, Rochester Gas and Electric Corporation contemplates the expenditure of \$50,000,000 for new construction.

Largest item involved is an electric generating station near Lake Ontario, which is expected to include four generating units of at least 40,000 kilowatts each. The first unit of this station was placed in operation early this year and the second unit is planned for 1950.

The area served by the company includes the important city of Rochester, one of the nation's leading manufacturing centers. The territory is mainly along the shores of Lake Ontario but extends as far south as the Pennsylvania border.

AND area of 2,500 miles is served by Central Hudson Gas & Electric Corporation. The territory includes four cities, Poughkeepsie, Newburgh, Kingston, and Beacon. The company operates in a territory which over a long period of years has shown a moderate steady growth and a relative stable economy. Its industrial output is well diversified among a large group of small or medium-sized industries and is not dominated by a particular industry or type of industry.

In 1948 this company supplied only 12 per cent of its output and the balance was purchased, mainly from the Consolidated Edison Company of New

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York. The New York city company has served notice on Central Hudson that the present contract would be canceled as of December 31, 1951. As a result the company is planning to install, during the next three years, the first unit of a new steam generating station. Preliminary studies have been undertaken to determine the economic size of the unit which will probably range from 40,000 to 60,000 kilowatts and cost around \$11,000,000.

CENTRAL HUDSON has entered into an agreement with the city of New York as a settlement of the company's claim by reason of diversion of waters for water supply purposes. It is provided that Central Hudson will erect a 25,000-kilowatt hydroelectric plant, using the flow of water through an aqueduct at approximately 500-foot head. It is estimated that the average annual output of the new plant will be 48,000,000 kilowatt hours, of which 30,000,000 will be generated by water to be made available without charge. Ownership of the property will go to

the city at the end of a 50-year period. It is expected that the plant will begin operation in the early part of 1952. Thus the company in a few years will be in a position to supply a substantial part of its total power. Present capacity is 36,100 kilowatts of which 24,000 kilowatts is hydro and 12,100 kilowatts is steam.

Rockland Light & Power Company has under way a construction program involving the expenditure of \$9,400,000. This program, extending through this year, includes a new 22,000-kilowatt steam generating plant on the Hudson river above Nyack, which was placed in operation early this year. In addition another 22,000 kilowatts has been ordered for installation in 1951 at a cost of \$3,766,000.

Two areas are served by this company. The eastern division comprises virtually all of Rockland county and the western division comprises parts of Orange and Sullivan counties. The area served is about 625 square miles. The largest communities served include Middletown, Port Jervis, and Nyack.

“WE'VE got to be prepared today for the unexpected, we've got to be constantly alert, constantly looking around and watching, knowing full well that what may happen next week or next month or next year probably is something that we haven't expected and something that we have no yardsticks by which to measure. We shall have to improvise our yardsticks of measurement as we go along.

“If I had to put it in a phrase, it seems to me that what we call business analysis has shifted from statistical analysis to operating analysis. It's no longer an analysis of the statistics as related to certain yardsticks. It's an analysis of our operating positions and our operating organizations and our operating objectives in order that they may all be reconciled for success.”

—COLONEL WILLARD CHEVALIER,
Senior vice president, McGraw-Hill Publishing Company.



What Do Utility Employees Think of the Company?

General result of an opinion survey among employees of Kansas City Power & Light Company; important because of the effect of employee relations and understanding on better public relations.

By O. H. DAY*

In the early fall of 1947, Opinion Research Corporation reported to the management of Kansas City Power & Light Company on results obtained from a survey of public opinion it had made for the company during the summer of that year. By comparison with similar surveys made for other operating utilities and with those made on a national basis for the Electric Companies Advertising Program, the survey indicated a rating of somewhere between "Good" and "Excellent" for the Kansas City Company.

However, following intensive study of the opinion survey, it developed that answers made by customers in certain categories pointed to possible lack of understanding by employees of policies, procedures, and industry philosophy in their contacts with the public. On the theory—now fast becoming an axiom

—that better *public* relations can be built only when there are better *employee* relations and understanding, it was decided to employ Opinion Research to survey the thinking of company employees, with the view of determining their opinions regarding wages, hours, conditions of employment, and like matters, as well as to obtain information upon which to base the more effective operation of the company's newly reorganized industrial relations department. Also, it was expected that the survey would suggest new avenues for expansion of both employee and public information techniques.

The plan for the survey was presented to employees in a series of conferences presided over by a representative of the research organization.

THE aims and purposes of the opinion survey were explained to

*For personal note, see "Pages with the Editors."

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employees. It was pointed out that the plan was a co-operative activity to be engaged in by all levels, including company officers. The questionnaire booklet, the contents of which had been prepared with great care by a committee of company executives and supervisors, in consultation with Opinion Research, was described in detail before a copy was handed to each employee for his completion.

Complete assurance was given employees on two points: (1) that their "ballots" would be kept secret, and (2) that they would be given a full and complete report of the over-all survey. The "ballots" were placed by the employees in a locked box which was shipped directly to the home office of the survey organization—the contents were destroyed following recapitulation of the material. Although participation in the survey was entirely voluntary, approximately 90 per cent of employees took part in it.

WHEN Opinion Research had completed its analysis of the employee opinion survey and was ready to make its report, two methods of presenting the results to employees were decided upon. First, a special booklet was prepared for distribution; second, a series of meetings was scheduled.

The booklet, entitled "Power & Light Employees Speak Their Minds," contained a foreword by the president of the company stating the reasons for the survey and explaining how it was conducted. Then, answers to each of the questions asked in the questionnaire were shown in graphic charts illustrated with cartoons especially drawn to suit the subject matter of each.

THE drawings for the cartoon-graphs were used to produce a series of glass slides for showing at the employee meetings. The meetings were scheduled over a period of several days and the slides, together with commentary by the vice president in charge of the industrial relations department, were presented. A copy of the survey booklet was handed to each employee as he left his meeting. An additional copy of the booklet was mailed to the home of each employee after all of the meetings had been held.

It should be pointed out that one of the most important sections of the booklet—and the sense of the conclusion of each presentation meeting—was the concluding statement by the president under the title, "So What'll Be Done about It All?" It was announced that a committee composed of selected members of the managerial staff of each department had been appointed to make a thorough study and analysis of the employee opinion survey. "The committee members would be the last to say that finding complete and satisfactory answers to all of the material brought to light in the report is an easy task," it was said. "However, as an employee, you may be assured that specific recommendations will be made to improve working conditions and employee - management relationships as well as to keep employees more fully informed regarding the company and its policies. Of course, not everything can be done overnight. Some improvements you will be able to see right away . . . others will take time. In any event, you will be kept advised of the progress of the program."

The survey and the straightforward presentation of its findings proved to

WHAT DO UTILITY EMPLOYEES THINK OF THE COMPANY?

have a most salutary effect among the employee body. Numbers of things which on their face needed correction were corrected promptly, others were improved, and still others are in the process of being corrected.

* * *

RECOGNIZING the fact that the findings of the opinion survey represented a fair sample of the thinking of all employees, it was decided to encourage further consideration of the results by organizing and carrying through a series of conference discussions to be participated in by the entire supervisory staff. It was believed that participation in these discussions was vital on all levels of supervision and to that end the first discussions were held with the executive group. As a result of these first conferences—and by reason of the top-level enthusiasm they generated—the entire series was planned and areas of discussion were selected. All discussion grew out of findings of the opinion survey.

Certainly, one of the keys to a successful conference series would be the leadership of the various discussion groups. Each department head was requested to submit a list of supervisors from his department to the extent of 10 per cent of the total whom the manager thought to be good potential conference leaders. This group of about twenty-five men entered a conference leader's instruction course with the understanding that the number would be reduced by excusing from the group

any participants who were not particularly interested in the task. As the training course proceeded, the number was reduced to thirteen men who completed the entire course and who participated in practice conferences to gain some preliminary experience. It was considered valuable, for the present and the future, to keep the conference leadership largely within the company's supervisory staff.

IN the meantime, a skilled conference leader was brought in to assist in planning the conferences and supervising the work of the new conference leaders. The man selected was Hubert R. Moody, who had wide experience in this type of work during the war and in the adjustment period that followed. As a means of charting the path of the main conference series, a pilot conference group was organized, composed of eighteen high-level supervisors. The pilot group followed the original plan and charted the avenue for all future meetings. Discussions were held under Mr. Moody's leadership and the results were highly satisfactory.

After the pilot group had progressed through approximately half of the discussion areas, the main conference schedule was launched. Supervisors were grouped as homogeneously as possible by supervisory level into relatively small groups of twelve to fifteen. Each group was scheduled for two 2-hour sessions per week for six weeks, for a total of twelve meetings



Q“ . . . good customer and public relations can be achieved and maintained more easily by a public utility when good employee relations are a . . . concern of management.”

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of twenty-four hours' duration. Eight groups met daily on a schedule beginning at 8 AM and ending at 5 PM.

Each group was invited to discuss the various topics with complete freedom and with full assurance that all discussion would be held anonymous because there was no desire to inject personalities into any of the meetings. The desire was to find the truth, letting the chips fall where they might.

At each conference, various problems growing out of study of the Employee Opinion Survey were put up for discussion and the thinking of the supervisory groups was focused on the problem in order to arrive at some practical solution which, if carried out, would bring about the most desirable changes in attitudes of the personnel of the company.

SPECIFICALLY, the conference procedure was outlined as follows:

I. Purposes of the Conferences

1. To study problems suggested by results of the Employee Opinion Survey.
2. To stimulate constructive thinking by supervisors in areas common to all.
3. To improve morale through developing better acquaintanceship and understanding among supervisory personnel.

II. Conference Plan Format

1. It was desired that all groups should cover the same discussion areas but that complete freedom of thinking and expression should prevail.
2. Five definite steps were recognized in each discussion:
 - a. A clear statement of the discussion topic or area.
 - b. A statement of the conference leader's objectives for each discussion.

- c. An opening statement by the leader to "spot the problem."
- d. Analysis of the problem made by the group.
- e. A summary of the discussion to include conclusions and/or recommendations or suggestions, all of which would be concurred in by the entire group.

3. Each discussion was related to specific questions contained in the Employee Opinion Survey.
4. Complete anonymity was maintained in all discussion reports.
5. Summary reports representing the joint findings of all groups were supplied to management.
6. No attempts were made to editorialize on the various subjects but, rather, to report faithfully the findings, conclusions, and beliefs of participants in the various groups.

Discussion areas for the twelve conferences were:

1. The Kansas City Power & Light Company As a Good Place to Work
2. Fair Treatment of Employees
3. Job Adjustment of Employees by Proper Selection and Placement
4. Job Adjustment by Training
5. Safety and Accident Prevention
6. Standards of Performance
7. Keeping Employees Informed
8. Employee Suggestions
9. Employee Benefits
10. Working Conditions and Mutual Benefit (Employees') Association
11. Employee Loyalty
12. Recapitulation and Summary

An example of the factor sheet prepared at each conference may be shown by use of the one which resulted from the first meeting in the series, "Kansas City Power & Light Company As a Good Place to Work":

"Opinion Survey Reference:

1. XX% of employees consider KCP&L above average as a place to work.

WHAT DO UTILITY EMPLOYEES THINK OF THE COMPANY?



Ten General Results of One Utility Company's Opinion Survey among Employees

- 1.—Three out of four considered their employment "above average"—Were not interested in taking a job elsewhere at the same pay.
- 2.—Nearly four out of five felt they had been treated fairly by the company.
- 3.—About a third felt working conditions had improved (within the year); another third thought they were about the same; 28 per cent had no opinion.
- 4.—Reasons for liking work rated as follows: liked fellow employees (21 per cent); working conditions (15 per cent); steady job (14 per cent); good pay (13 per cent); good supervisor (10 per cent); good hours (10 per cent).
- 5.—About 71 per cent were satisfied with present jobs, but 22 per cent would like departmental transfers.
- 6.—About 58 per cent thought they had enough training; but 35 per cent thought that they needed more training.
- 7.—On wages, 61 per cent thought the company paid "about average"—About 26 per cent thought the company paid better than most.
- 8.—On supervisors, 35 per cent rated them "excellent"—33 per cent "good"; 22 per cent "fair"; and 8 per cent "poor." However, 31 per cent thought the supervisors had favorites, while 59 per cent thought supervisors treated all fairly. The supervisor's "boss" rated about the same as the supervisor.
- 9.—On safety, 66 per cent thought the company did enough to prevent accidents; 20 per cent thought it didn't.
- 10.—On public relations, 49 per cent thought employees did not have enough information about the company to answer questions from the outside. Thirty-nine per cent thought they did.

2. XX% consider it average or below.
3. XX% of employees say they don't think they would, or definitely would not, take a job at the same rate of pay with another company.

"IN studying the problem of the XX per cent who are not enthui-

siastic about the company as a place to work, listings were made of those things that make the company a good place to work and of those things which might cause some employees to think that it is not sufficiently desirable as a place to work. These are followed by suggested remedies to help change

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most of the less enthusiastic XX per cent over to the enthusiastic group."

"Why KCP&L Company is a good place to work:

- Employee benefits
- Equitable pay
- Steady work
- Opportunity to advance
- High-type associates
- Good working conditions
- Job security
- Prestige of company
- Good supervision

"Why some might think KCP&L Company is not the best place to work:

- Not informed in advance of changes that may affect them
- Lack of understanding of company policies
- Changes in sick leave privileges
- Company fails to give credit where credit is due
- Don't like shift work
- Dislike supervisor
- Distrust of certain executives
- Favoritism
- Inadequate facilities

"Suggested improvements:

- Better selection and placement of supervisors and employees
- Train supervisors
- Train employees
- Tell people in advance about changes that affect them
- Share information with employees
- Give credit where due
- Provide optional retirement
- Explain promotions to those immediately affected
- Less 'insulation' of top executives
- Revise sick benefits
- Revise promotion plan, making merit predominant factor
- Job-rating studies
- Executives should visit employees at place of work more often
- Supervisors need to be fully informed so they can correct rumors and false information
- Furnish more up-to-date equipment."

IN dealing with problems of human relations, it is recognized that many of the results are intangible in extent because they cannot be measured as objectively as we can measure steam pressure or electric current. However, the beneficial results of the first series of supervisory conferences conducted at Kansas City Power & Light are too evident to be ignored by anyone in that organization. There is a spirit of constructive thinking and active interest existing, especially in the supervisory staff, that is most wholesome indeed.

Two major trends emerged from the discussions rather early; namely, that efforts should be made to remove the "insulation" between top executives and the employee body generally, and that supervisors should be informed well in advance of changes in policies or organization which would affect them, their work, and the employees working with them. And yet none of the meetings turned into a "gripe session"—constructive criticism was the order and the spirit of each conference.

The management is foresighted enough to see that the task has only just begun and that if the project should be discontinued at this point the benefits obtained thus far would minimize and considerable momentum lost. Therefore, another supervisory conference series is being planned now and it is anticipated that it will get under way very shortly.

INASMUCH as the request for conduct of the conferences had come from the executive group, a full report of results of the series was made to that group. And it can be said that the report was received in the same spirit in which the activity was undertaken.

WHAT DO UTILITY EMPLOYEES THINK OF THE COMPANY?

If there is one "secret" to the success of the Kansas City program it is that it was planned *from the top down*; that is, that it had the wholehearted interest and approval of management each step of the way. No punches were pulled in trying to get at the pure, unadulterated truth. And what is even more important, there is a genuine desire on the part of the management to *use* effectively all of the information

unearthed by the supervisory conferences to build better employee relations and understanding at every level of employment.

Significant also in the company's thinking and planning is the realization that good customer and public relations can be achieved and maintained more easily by a public utility when good employee relations are a continuing concern of management.



“PROFIT is not a thing of which to be ashamed. It is a thing in which we ought to take the fullest measure of pride. Fair profits are the best yardstick by which to measure the nation's economic health and strength. There is no quicker or more certain way to stagnate industry and bring on depression than to destroy the incentive for achievement. That incentive to go forth at great hazard and extend and develop economic frontiers is the very foundation of America's greatness.

“[The] destruction of our conception of America is the purpose of many who lose no opportunity to plaster their smears on industry. They would reverse every fundamental upon which our success has been built. They would penalize the energetic, the thrifty, and the successful, and they would extend the rewards of an all-powerful government to the indolent and the incompetent.

“None of us would seriously claim that our country is perfect and cannot be improved. But when we imagine there is a short cut to the millennium through substituting governmental control and centralized authority for self-reliance and individual responsibility, we are falling into the ancient old-world delusion which, for over 6,000 years, has stagnated human progress and kept the vast majority of people underfed, underclothed, embroiled in wars, and surrounded by famine and pestilence.”

—WALTER S. HALLANAN,
Chairman, National Petroleum
Council.



Odds and Ends in Utility News

Along the lighter side, there are many news items about things which happen in the course of a day's work in the public utility business which bring a laugh to those who hear about them, if not to those who experience them.

By HAROLD HELFER*

APPARENTLY people cannot be interested in a nickel any more. A Liberal party rally in New York planned in connection with a drive for a 5-cent fare for municipal college students was called off because no audience showed up. Speakers left after forty-five minutes of futile effort.

* * *

Scientists are considering possible use of the moon as a reflector for trans-oceanic phone and television signals. That is the word from S. Davis Page, New Jersey Bell Telephone Company researcher. He explained that television and radio-phone signals will be directed at the moon in the hope they will be reflected back to the earth and picked up in Europe.

* * *

Pittsburgh Railways Company has put into operation the first of 100 new trolleys that are supposed to be the most streamlined of the streamlined. Side

seats have been eliminated to end the side sway of some seated passengers and the trolleys are supposed to be positively "jerkless."

And standees will no longer ride in ignorance of the car's whereabouts. Extra windows high in the car will give vision to unseated passengers.

* * *

Westinghouse Electric engineers, using rare krypton gas, have boosted the efficiency in fluorescent lamps by 17 per cent. A regular home-size 25-watt krypton-filled lamp was found to provide 50 per cent more light than a conventional 20-watt lamp filled with argon. The new lamp uses only 25 per cent more electricity and gives out five times as much light as an incandescent bulb of the same wattage.

* * *

IT takes more than 100,000 man-hours to create a locomotive from the blueprint to the finished stage, but only

*Professional writer, Arlington, Virginia.

ODDS AND ENDS IN UTILITY NEWS

eight hours to break one up at the Modena, Pennsylvania, scrapping yard. The process has been systemized: The superstructure is cut away with acetylene torches, the boiler removed and reduced to small pieces with 100-ton shears, the wheels and framework turned into scrap by the same methods, and all the pieces stacked into a pile with an electric magnet. An average of 200 locomotives are scrapped in this yard a year, providing about 70,000,000 pounds of metal for hungry steel mills in Pennsylvania.

* * *

In York, Pennsylvania, a housewife reported that her gas range picks up short-wave transmissions made by her next-door neighbor, an amateur radio operator, and that she recently heard his voice coming clearly through her stove while he was talking with another operator in South America.

* * *

Coal dealers probably will be glad to read this item. C. A. Powell, engineering executive of Westinghouse Electric Corporation, says that the atomic energy boom and the development of new ways of getting oil do not present an immediate challenge to coal. He predicts coal will remain the nation's number one source of energy for at least fifty more years.

* * *

WHEN leaving his club, John A. Sibley, chairman of the Trust Company of Georgia, can go up to a table on which there are a half-hundred hats and unhesitatingly pick out his which has been described as looking "like somebody jumped on it and then stayed with it for three hours."

But recently, so the story goes, when Mr. Sibley went to New York he was taken to lunch by some of the J. P. Morgan partners and after lunch he met with difficulty for the first time in picking out his hat. The Morgan partners' hats were as old and as battered as his.

* * *

In Council Bluffs, Iowa, a railroad switchman received a ticket for over-parking his train. Policemen who issued the ticket complained that the switchman's Chicago & Northwestern train blocked a crossing on the city's main thoroughfare plus eight streets paralleling it for thirty minutes.

* * *

Local line trouble: Argentina has discovered that much of its telephone headache is because Argentines talk too much.

The average phone conversation—a survey disclosed—lasts twenty minutes.

* * *

One of the last large municipalities in the United States with a 5-cent transit fare, Dayton, Ohio, is shifting to a higher rate. After a 4-hour session between the city commission and transit companies, all of which are privately owned, a new schedule was adopted. It provides a 10-cent cash fare for casual riders; a 7½-cent token fare, or 7 tokens for 50 cents; a 5-cent fare for school pupils regardless of age; 5 cents for children under twelve; 1-cent transfers, good on all lines.

* * *

WHEN the 125 subscribers of the Mifflin and Windowville Tele-

PUBLIC UTILITIES FORTNIGHTLY

phone Company of Mansfield, Ohio, want good service, they do something about it. To keep expenses and their own phone bills down, the rural phone users in Richland and Ashland counties decided to dig their own post holes, put the poles in, and string their own wires.

In one day they erected the necessary poles and the next day put up the wires to replace the sagging ones that have been in use in some parts of the 2-county area since 1904.

* * *

In Washington, D. C., office workers may be able to drive their cars right to the office door—even if it's on the tenth floor. Construction is expected to begin soon on a building featuring a circular ramp that leads to every floor in the building.

* * *

Miscellany:

A pound of coal converted into electricity will keep a 100-watt electric bulb going more than seven hours.

* * *

A new radiotelephone service between India and France now offers service, with calls costing about \$13.20 for the first three minutes.

* * *

Television has been extended to those whose electrical service happens to be of the DC variety. (Turning the

trick are special converters operating with a new-type automatic remote starting system.)

* * *

In 1874—just fifteen years after the first oil was drilled in America—a Pennsylvania scientist estimated that the United States had enough petroleum to keep its kerosene lamps burning for only four years.

* * *

AMERICAN manufacturers have been invited to bid on equipment and materials for a new municipal power station to be erected in Mozambique, Portuguese East Africa.

* * *

India hopes to produce oil from its low-grade brown coal.

* * *

Some or all of the transportation facilities of 29 cities over 10,000 population in the U. S. are municipally owned.

* * *

Incandescent lamps generate four times more heat than the fluorescent type.

* * *

Railway highway crossing accidents are most likely to happen between 6 and 7 PM on Saturdays in December.

“I like our system. It is the best system in the world today, but there is constant room for improvement. It is a continuing never-ending job, and businessmen must find some means of spreading ownership, diffusing the benefits of democratic Capitalism, and when we do so, the threat of Socialism in America will be further and further removed.”

—ERIC JOHNSTON,
President, Motion Picture Association of America.

Washington and the Utilities



Gas Bill Debate Goes On

OPPOSITION by the majority of the Federal Power Commission to pending bills in Congress for amending the Natural Gas Act seems to have stirred up additional argument. All five commissioners gave testimony late in April, before the subcommittee on petroleum and Federal power of the House Commerce Committee. Bills involved are the Lyle and Harris bills (HR 79 and HR 1758) to remove independent production-gathering phases from FPC jurisdiction, and the Dolliver Bill (HR 982) to require FPC adherence to a proposed widely varied 10-point administration policy. This would mainly feature the establishment of FPC control over "end use" of gas distribution.

Earlier in April three days of testimony in support of the legislation had been taken. A favorable subcommittee report on a combination of the Lyle-Harris bills and an unfavorable report on the Dolliver Bill are expected. Floor action in the House this year is doubtful, however, because of the lateness of the session.

The FPC majority was represented by Commissioners Olds, Draper, and Buchanan. They contended that the bills would: (1) Automatically put higher rates into effect; (2) prevent the FPC from employing the original cost standard to gas produced by pipe-line companies. Commissioner Olds claims it is because the FPC has regulated rates of natural gas companies effectively that the industry continues to seek restrictions on FPC's powers. He contended that the large companies would be the chief beneficiaries of the bills under consideration. A large portion of his statement was de-

voted to generalized warnings against concentration of economic control. His statement included a message on "Preserving the Competitive System" and a prediction as to declining availability of natural gas, if discovery of new reserves does not outpace supply commitments.

CHAIRMAN Smith and Commissioner Wimberly presented a minority report to the effect that Congress did not intend to assert regulation over independent production-gathering according to the minority. The minority does not believe any amendment of the Natural Gas Act would necessarily be adverse to the public interest. It agreed, however, that if "Congress should conclude that Federal jurisdiction should attach to independent producers and gatherers . . . we think the regulatory agency should have the benefit of a clear-cut declaration of such intent . . ." The minority report states that, while the proposed legislation might have more far-reaching effects than intended, it would not be difficult to amend the bills so as to limit their application to independents.

Chairman Smith was able to present an unanimous statement for all five commissioners in opposition to the Dolliver Bill. This bill would require adherence by the FPC to a 10-point plan for administration of the Natural Gas Act. The commission said such amendments would: (1) Stimulate litigation; (2) require large increases in the FPC technical and legal staff; (3) require extension of the commission's jurisdiction to intra-state sales of gas; (4) produce an unbalanced control over gas in relation to unregulated fuels; (5) change the concept of what would be considered a "just and

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reasonable rate"; and (6) require the commission to consider very remote effects of commission actions, even though these were not of controlling importance.

Representative Lyle (Democrat, Texas), author of one of the bills under review, took a dim view of testimony by FPC Commissioner Olds. He described it as "an artful and disguised attempt" to extend FPC control. "It is . . . what members of Congress have come to expect from too many . . . Federal office-holders coming before committees," said Representative Lyle, adding that Congress was "fed up" with the type of Federal administrator who claims that any attempt by Congress to exercise its jurisdiction and define agency functions is "against public interest." Representative Lyle declared that Commissioner Olds "clearly states what is in the mind of Commissioner Olds and a new majority of the commissioners—outright Federal control over the entire gas industry . . . and no dressed-up language can conceal their desires."

"The Fighting 81st"

THE shades of Stonewall Jackson and Phil Sheridan must be having a good time spoofing one another over the present-day spectacle of a new rebellion breaking out among the Sons of the Confederacy in Congress, over repealing a law sponsored by a couple of "damn-yankees" by the name of Taft and Hartley. But the administration's failure to get affirmative action in the House on the Taft-Hartley repeal has left some strange crosscurrents and rip tides in its wake.

What's more important, from the standpoint of industry immediately concerned with other types of legislation besides the labor bill, new alignments may be taking shape and new legislative prospects may eventually emerge. Bills which were once condemned as dead may yet rise from their graves. And bills which were once labeled as sure things may be left at the post when the session adjourns.

All sides agreed that a certain amount

of bad blood between northern and southern Democrats was fomented by misunderstandings among administration, congressional, and labor leaders before the House recommitted the Wood Bill. It may well spill over into several areas of special concern to the public utilities. Resulting attempts to stall legislation benefiting various regional areas or group interests can be expected.

FEUDING has broken out between certain urban and rural groups. One group, led by freshman Senator Humphrey (Democrat, Minnesota) and Representative Holifield (Democrat, California), is said to be out to "punish" both southerners (who voted against the administration's Taft-Hartley repeal) and Congressmen from rural areas elsewhere who are seeking local benefits.

The Poage Bill (HR 2960), to authorize the Rural Electrification Administration to make rural telephone loans (at this writing, marking time in the House Rules Committee), may have unexpected trouble on the floor. Most of the new rural telephone lines, to be financed under this legislation, would be in southern states. But the author of the bill, Representative Poage (Democrat, Texas), and other southern "REA bloc" Democrats—such as Pace of Georgia and Rankin of Mississippi—turned up on the wrong side (from the administration's viewpoint) of all the critical votes on the labor bills.

Southern reaction to this form of reprisal may well doom chances of the proposed Columbia Valley Administration and St. Lawrence seaway-power project. There may even result some trimming of appropriation bills for other public works if the schism continues to widen.

Another test was soon to come up in the Wage-Hour Bill. Another Republican-southern Democratic coalition, seeking to reduce the proposed minimum hourly wage (from 75 cents to 60 cents or 65 cents) and to block administration proposals to extend coverage to rural workers, etc., was feeling its oats as the Wood Bill was interred in committee.

It may not be too wise to count out

WASHINGTON AND THE UTILITIES

the Wood Bill altogether. If the "fighting 81st" Congress passes any kind of a bill at all it will be just about the same rose (or, a scallion, to labor) by another name. The national emergency provision of the Wood Bill (which would have affected major public utility disputes) would have actually been strengthened as compared with the present law.

THE present Taft-Hartley Act does not permit the President to seek an 80-day injunction until after receiving report of a board of inquiry on any strike threatening the nation's health or welfare.

The Wood Bill permits such an injunction without waiting for a board of inquiry; and the latter is not permitted to make any recommendations. Otherwise, the Wood Bill contains only one big change in the Taft-Hartley Act—it permits closed shop contracts in states allowing the same.

As far as the present outlook on the Wood Bill itself, most observers think that the sentiment in the Senate is just about as evenly divided as it is in the House, with the added complication of senatorial privilege for filibustering—a routine which the southern rebels know so well. With such an outlook it would not be too surprising if the administration leaders did not call the whole thing off, rather than permit Senator Taft to take the political credit of coming forth with the acceptable compromise. Labor leaders would probably prefer to see the child dead than saved by such a fireman—for this year, anyhow.

The way some Democratic members look at it—the House actually saved President Truman the trouble (and loss of face) that would be involved in vetoing the Wood Bill. Supporters of the Wood Bill obviously do not have the necessary votes to override a veto. And since President Truman's campaign pledges would almost require a veto, it may be that the politically practical thing was to give the administration's dead hopes for a real Taft-Hartley repeal a decent burial, without forcing the President into the rôle of executioner.

Krug Replies to Industry Committee

LAST January an industry advisory committee made an adverse report on the Interior Department's policies with respect to (1) tidelands oil and gas reserves and (2) synthetic fuels. The committee report thought that states' rights should be given more protective treatment by the Federal government in the case of the tidelands reserves. It thought also that Federal government domination of synthetic fuels development might prove unnecessary and wasteful.

Early this month Secretary of Interior Krug got his opportunity to reply to this report in a speech delivered before the American Petroleum Institute. Secretary Krug's remarks about the industry advisory committee were very polite and complimentary as far as they went. He said that industry advisory committees are fine institutions, even if they don't always agree with Federal government policy. At least it gives the Federal government the background of industrial experience and counsel. But at the same time Krug let it be known that the Federal government does not intend to back down in its position on either tidelands or synthetic fuels.

The Interior Secretary said Interior Department and National Petroleum Council "are not harnessed like a trotting team, nor do we want to be . . . Complete agreement would inevitably mean domination by either industry or government." Aside from this general compliment, however, he clearly indicated that there would be no reversal in Interior's tidelands-synthetic policies.

In the same speech, Secretary Krug took occasion to express his views on internationalization of multipurpose river development programs as part of American aid abroad. He thought that foreign countries in arid regions whose oil and other reserves are being exploited by American capital should be encouraged by this government to develop irrigation, power, and other projects. Krug proposed that American skill be contributed.



Exchange Calls And Gossip

Problems of Mobile Radio

THE Federal Communications Commission is having headaches over problems involved in the allocation of radio frequencies for mobile radiotelephones. In the commission's recent report on mobile radio service, two factors stand out: (1) very rapid expansion in demand for such services, and (2) the complicated problem of allocating radio frequencies to numerous classes of government and other users of mobile radio services.

On the demand side, the FCC report shows that the number of mobile radiotelephone units in the "Safety and Special Radio Services" classification now exceeds 200,000. In 1947, the comparable figure was less than 135,000. That classification includes aeronautical marine, police, fire, forestry, highway, emergency, railroad, transit, industrial, and experimental. Included in the "experimental" classification, which is the largest, are taxicabs, busses, and trucks.

Members of FCC are divided on policy affecting radio frequencies for such services. New rulings have been issued and frequencies allocated. No one seems entirely satisfied. Some of the commissioners themselves submitted dissenting opinions and ideas. For example, Commissioner Jones is in favor of letting established "common carriers" (telephone and telegraph companies) handle the operation of radio circuits for a variety of other users such as taxicabs, busses, truck companies, etc. He believes that this would be the most economical use of the radio frequencies and will some day be inevitable in view of the shrinking supply of available and usable

frequencies in the radio spectrum. Mr. Jones also thinks it would take much of the work load off of the FCC by placing the responsibility on the common carrier.

COMMISSIONER Walker was inclined to share Commissioner Jones' view in principle. But Walker explained, in a special concurring opinion, that he signed the majority report only with the understanding that an FCC arrangement would be worked out later on for the "common carriers" to obtain additional channels in the "ultra high frequency" portion of the radio spectrum. Commissioners Webster and Hennock also dissented in part. Probably none of the legion of would-be mobile radiotelephone users is entirely satisfied with the new rulings for allocations. But technical observers doubt that Federal courts would be disposed to upset the FCC's program, in view of the lengthy proceedings and the difficult nature of the commission's task of allocating the frequencies.

Jail for Phone Morons

THE House of Representatives of the state of Pennsylvania has passed a bill to put telephone pests in jail for three months or pay a \$300 fine. The vote was 152 to 38.

The legislation is aimed at so-called jesters who place false orders for such things as flowers, funerals, and beer. Pittsburgh and Reading have reported distressing incidents. Even judges are not immune from the pests. Two justices in Reading recently have been deluged with unwanted orders. Such calls cost merchants thousands of dollars.

EXCHANGE CALLS AND GOSSIP

The bill will go to the state senate for further consideration.

A man's home is his castle. But, after all, everything is relative.

CWA Votes for CIO

THE Communications Workers of America, big nation-wide independent union representing 230,000 telephone workers, on May 6th announced that its members have voted to affiliate with the CIO in a national referendum "conducted over the past sixty days."

Outcome of the referendum: voting in favor of affiliating with the CIO, 71,312; voting to remain independent, 34,419. Joseph A. Beirne, Washington, CWA president, said the union would make application for its CIO charter "within the next few days." He said:

Needless to say we're pleased with the outcome of this referendum. It clearly shows that phone workers want the additional strength they will get through affiliation with the CIO. Not only will affiliation enhance our bargaining position, but it will also enable CWA to bring all phone workers together in one union.

Immediately upon granting of a CIO charter to CWA, a joint committee consisting of representatives of CWA and of the Telephone Workers Organizing Committee, will work out details of amalgamation of all telephone groups in the CIO. These details are to be completed by the time of CWA's third annual convention, set to open in Chicago on June 13th. Final amalgamation will take place in connection with that convention.

Upon completion of amalgamation, jurisdiction covering the entire telephone field will be granted to the phone union.

"Other phone labor groups, now independent," said Beirne, "have announced that they plan to work for immediate affiliation with the CIO. These groups, plus our membership and those groups already in the CIO, will bring the total number of workers we will almost immediately represent close to 350,000."

Following amalgamation and integration of the "willing independents," Beirne said an "all-out campaign" to organize the balance of the phone industry will be launched. "Within eighteen months we expect to represent at least half a million workers," he said. He added that this was about all the organizable workers in the industry.

This would make the phone union the third or fourth largest international union in the CIO, and one of the largest labor organizations in America.

REVIEWING development of the affiliation matter, Beirne said it had been considered "off and on" for a number of years. Formal action leading toward affiliation was taken by the union's second international convention in Spokane last June, where appointment of a committee to obtain affiliation proposals from the AFL and CIO was authorized. That committee met with AFL and CIO officials in January. The CIO offered CWA full status as an autonomous international union. The AFL made no offer which would retain the identity of CWA, offering instead local charters in the International Brotherhood of Electrical Workers to CWA divisions or portions of such.

CWA's committee reported to the union's executive board early in February. The board considered the CIO proposal better than the AFL's, recommended its acceptance by the union membership, and directed a 3-way referendum—a choice of CIO affiliation, IBEW-AFL, or remaining independent.

Following announcement of this decision, Dan Tracy, IBEW president, wrote to Beirne insisting that the name of IBEW be withdrawn from the ballot. This was done and the referendum became a 2-way decision—affiliation with the CIO or remaining independent.

CIO's offer to CWA includes full guaranty to govern internal affairs; guaranty of full and proper representation on the CIO executive board and at CIO conventions; access to CIO resources in education, research, legal, and other services; and financial and planning assistance in organizing work.

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Minimum Wage Controversy

CONGRESS is giving consideration to changing the Fair Labor Standards Act in ways which may have an appreciable effect on small independent telephone companies. Under present law, small telephone exchanges having fewer than 500 stations are exempt from the provisions of the statute.

Primary amendments now being considered would remove the exemptions for the small exchanges and would boost the current minimum wage from 40 cents to 75 cents per hour.

The United States Independent Telephone Association is opposing such suggested changes. On the other hand, the dominant telephone union, Communications Workers of America, is just as actively supporting the higher minimum wage for all telephone employees.

The conflict also has a bearing on whether or not the Federal government should step into the rural telephone picture as it has in the electric field by granting loans to rural co-operatives. That question was pointed up by Clyde McFarlin, president of the Montezuma Mutual Telephone Company (Iowa), in the last paragraph of his statement of April 18th before the Senate Committee on Labor and Public Welfare. It follows:

In concluding, let me say that telephone companies are making great efforts to expand telephone coverage in all rural areas. These efforts should be applauded generally. Telephone companies will be able to do the job, within the scope of free enterprise, without governmental intervention or aid. The biggest stumbling block that could be placed in the path of this program of expansion of telephone service would be an increase in the minimum hourly wage rate for operators and the repeal of the 500-station exchange exemption now provided by law. The effect would be to put thousands of small companies out of existence and thus deprive hundreds of thousands of farmers of telephone service.

Joseph A. Beirne, president of the

Communications Workers of America, at the same Senate committee hearing contended that most telephone operators already are paid a wage equal to or in excess of the proposed 75-cent minimum. Hence, he claims that unless Congress eliminates the present exemption of operators in exchanges having less than 500 stations, "it will be perpetuating a subsidy of the independent telephone industry by those women workers forced to subsist on subminimum wages."

New FCC Boss?

CHAIRMAN Wayne Coy of the Federal Communications Commission may become czar of television, if he is interested in leaving public service. This news was reliably reported following a meeting in New York last week between Coy and a committee representing the Television Broadcasters' Association. Coy is not likely to reach a decision until after completing his duties as the United States delegate to the International Administrative Telephone and Telegraph Conference, now meeting in Paris.

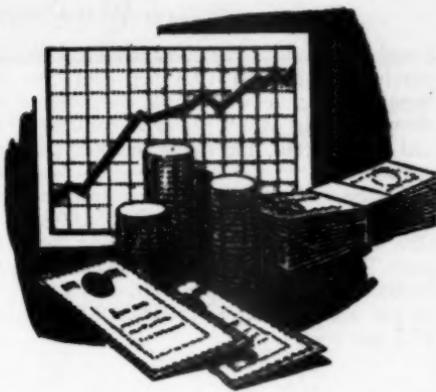
In recent addresses, Coy has been most optimistic about the future of the television industry, but has stressed the need for coördinating industrial operations to avert problems in both regulation and public relations. Television executives of competitive concerns were said to be impressed with the need for strong intra-industrial leadership along such lines at this time. Commissioner Webster, recently reappointed for a 7-year term, and certain to be confirmed in the Senate, is regarded as a likely successor, according to gossip in radio and television circles, to the chairmanship if Coy should step out.

Incidentally, James Lawrence Fly, former FCC chairman, recently predicted that while television will have a strong influence on the public, it will not displace radio.

Fly, now general counsel for the Independent Television Producers Association in New York, said radio is no "dying industry."

Financial News and Comment

By OWEN ELY



Utility Earnings in February

EARNINGS for the month of February for all Class A and B electric utilities have been released by the Federal Power Commission. Revenues and earnings show the usual seasonal decline from January due to the smaller number of days. Gains over last year were fairly well maintained, however:

	February	January
	Gain	Gain
Number of Customers .	4.8%	4.7%
KWH Sales	5.1	7.2
Revenues	7.6	9.1
Electric Operating Income	12.6	12.3
Gross Income	10.7	11.5
Net Income	10.3	11.9
Net Electrical Plant Account	12.0	11.6

The utilities' ability to improve net electric earnings at a faster rate than the increase in sales was due of course to the character of the sales and the slightly higher receipts per kilowatt hour. Thus in February residential revenues continued to run more than 12 per cent over last year, while industrial sales gained less than 4 per cent (*versus* 6.1 per cent in January) and miscellaneous sales showed a reduction of 4.3 per cent (*versus* a drop of 1.5 per cent in January).

FUEL expenses in February were slightly lower than last year—the first such decline in a long period; the warm weather probably had something to do with it, together with the sharp decline in unit costs of fuel and coal and the

improving hydro situation. Coal consumption in the month was nearly 10 per cent below last year, while the use of fuel oil was up 16 per cent, and natural gas increased 9 per cent. Hydro production was 14.5 per cent over last year.

Fuel figures are also available for the month of March; the decrease in coal usage was only 6.2 per cent for that month *versus* 9.6 per cent in February. Use of fuel oil was 8.4 per cent higher, and natural gas 17.8 per cent. Hydro output, however, was up only 8.9 per cent. New generating capacity is coming in fast—311,000 kilowatts in March, 543,000 in February, and 309,000 in January.

Robert H. Seltz in *The Wall Street Journal* recently estimated that the electric utilities would show an 8 per cent gain in first quarter net over the 1948 period. Since the official FPC figures showed a net income gain of 11.9 per cent in January and 10.3 per cent in February, *The Wall Street Journal* estimate would seem to indicate a gain of only about 2 per cent for the month of March.

The natural gas companies in February reported an increase of 11.3 per cent in revenues, a gain of 5.8 per cent in operating income, and a growth of 6.8 per cent in net income. For the twelve months ended February 28th revenues gained 16.8 per cent and net income 10.2 per cent. The effects of the warm winter seemed evident in the February gain of only .7 per cent in gas sales to residential consumers and 3.8 per cent to commercial users, but this apparently released addi-

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tional gas to industrial consumers whose purchases increased 19.3 per cent. In terms of revenues residential consumers showed a gain of 1.9 per cent, commercial 4.2 per cent, and industrial 30.9 per cent.

At the end of February natural gas utility plant was reported at \$3,038,000,000, a gain of 13.6 per cent over last year. The depreciation reserve was \$879,000,000, up only 4.6 per cent. Net gain in gas utility plant, \$2,159,000,000, was 17.7 per cent.

Rate Increases — the Commissions, the Courts, and "Politics"

WHILE the public utility commissions have in general recognized the need for helping the utilities finance their construction program, and have granted rate increases without much quibbling outside New York state, the "fair deal" governors of two states—Massachusetts and Michigan—have taken an antiutility stand with respect to rates, and have taken steps to check any generous impulses by the commissions toward the utilities. Both governors have also sought to introduce state legislation adverse to utility interest, it is understood.

In Massachusetts, however, the utilities were encouraged by the court decision in the Lowell Gas Case (*Lowell Gas Co. v. Department of Public Utilities*, Supreme Judicial Court, March 11, 1949). The court held that the commission order denying a gas increase was confiscatory, and gave a broad review of the requirements of the Massachusetts Declaration of Rights and the utility statutes. The court held that while the department's order contained statements as to prudent investment, capital stock, etc., it made no clear-cut finding as to a rate base to which a percentage of return could be applied. From the utility viewpoint the major point of the decision was the court's test of confiscation—that the rates fixed by the department must yield adequate earnings to assure confidence in the financial integrity of the company, maintain its credit, and attract new equity

capital. The court estimated that rates as set by the department would permit dividends of only about 3 per cent on the common stock capitalization (including a pending new issue of stock) or 2½ per cent if surplus be included. The opinion was held in utility circles in Massachusetts that the decision would require the department of public utilities in the future to be more exact in calculating the rate base, and in allowing a rate of return sufficient to permit necessary equity financing.

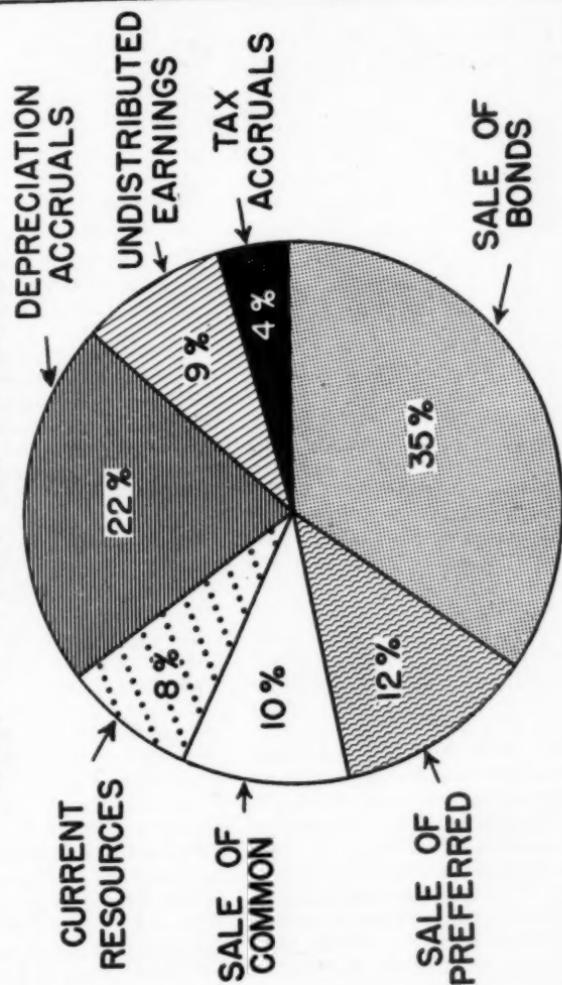
THE regulatory philosophy of the New York commission remains somewhat obscure since former Chairman Maltbie retired, but there are rumors to the effect that the commission has been more deliberate. The New York state courts in the Rochester Gas & Electric Case "clipped the wings" of the commission with respect to the exaction of accounting adjustments as the price of approval for new financing. It remains to be seen whether the appellate division and the court of appeals will also checkmate the commission in its assumption of the power to regulate accounts through the guise of rate regulation, in the important Consolidated Edison Case now pending. Thus far the score seems to be about even. The company won a temporary stay from the appellate division against the 10 per cent cut in electric rates, but lost several weeks later in the court of appeals, which ordered the lower rates into effect again.

But the question of the stay concerned only the so-called temporary rate law, which permits rates to remain in effect "temporarily" even if too low, and provides that the company can be "reimbursed" later by allowing rates higher than sufficient to provide the fair rate of return.

Meanwhile, the appellate division is currently considering the evidence on the main issue, which concerns the power of the commission to order a huge write-off in the rate base through the medium of a "retroactive straight-line depreciation reserve"—a favorite theory of Mr. Maltbie's. Another issue is whether it

THE ELECTRIC UTILITY INDUSTRY'S 4 YEAR
\$6,000,000,000 CONSTRUCTION PROGRAM

HOW IT CAN BE FINANCED



PUBLIC UTILITIES FORTNIGHTLY

can adjust stated earnings upward by reducing current depreciation accruals.

Money Market Improves

I“T’s an ill wind” etc.—the utility industry is benefiting by the firmness in the bond market resulting from an increase in savings as the public reduces the buying of goods. Insurance company coffers are full, and that means they are buying bond issues in good volume, with less than their usual restrictions. Due to liquidation of inventories, bank loans have been declining for a record number of weeks now, putting commercial banks in good shape to buy bonds.

Hence the continued flow of utility bond issues to raise construction funds has moved along successfully, with only occasional difficulties due to overambitious bidding as a result of keen competition. While there has been no great change in the bond market as a whole, yields on new issues have been shaded about 5-10 decimal points since the early part of the year, eliminating a good part of the former spread between old and new issues. Even preferred stock offerings are proving moderately successful, particularly where they are handled on a negotiated basis; institutional buyers are no longer insisting on sinking funds provided the yield is adequate.

SIMILARLY, utility common stock offerings (mainly through “rights” on an underwritten basis) have met with a generally good reception. The strength in the utility market for 1949 due to the popularity of utilities as “defense stocks,” plus hopes for a continued increase in earnings, has proved sufficient to absorb these offerings. A number of utilities have recently announced offerings of rights—Indianapolis Power & Light, Potomac Electric Power, South Carolina Electric & Gas, Southwestern States Telephone, Southern Natural Gas, Public Service of New Hampshire, Peninsular Telephone, Mississippi River Fuel, Minneapolis Gas, East Coast Electric, Columbia Gas, Cin-

cinnati Gas & Electric, and Bangor Hydro Electric. And, of course, there is the huge issue of American Telephone and Telegraph convertible bonds offered to stockholders of record May 6th.

The industry seems anxious this year to make up for lost time with its common stock financing program, and it is to be hoped that the utility stock market will remain favorable long enough to get the industry “over the hump.”

Holding Company Dissolution Plans and the Courts

THE tempo of holding company dissolution has always been very uneven, but recently there have been some interesting upsets in timing. Usually the Federal courts take about six months to pass on a holding company plan after the SEC has approved the plan, especially where there is a major contest by a security holders’ committee. In the Commonwealth & Southern Case Judge Leahy is still deliberating at Wilmington, although SEC approval to the plan was given November 22nd. However, in the Electric Power & Light Case, despite the opposition of an important committee of common stockholders, Federal Judge Clancy in the southern district of New York gave a decision “from the bench” April 13th, less than five weeks after the SEC decision.

Formerly it was somewhat the custom to allow a 60- or 90-day period to elapse after district court approval of a plan, to provide ample time for appeals to higher courts, but this seems to have gone out of fashion recently. United Corporation fixed the date for consummating the plan to retire preference stock as of April 30th, and adhered to this program despite attempts by counsel for a committee of preference stockholders to obtain a stay from the court of appeals. The plan became effective as scheduled, but it is rumored that in some manner an appeal has been kept alive on the court’s docket—which perhaps could be done in this case because the company will remain in existence with ample assets to make up any

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cash deficiency in the preference package if the courts should finally rule against it on any such appeal.

IN the Electric Power & Light Case, where the company is scheduled to be dissolved within a few months of the date the plan becomes effective, the legal maneuvering by the opposition committee (representing the common stockholders) is therefore more involved. A stay was first denied by Judge Learned Hand of the circuit court, and again later by this judge and his associate (the third judge, Jerome Frank, having disqualified himself as a former member of the SEC). However, the defense lawyers in this case took the unusual step of carrying an appeal to the Supreme Court (adding to the expense involved). The circuit court, anticipating such a move, indicated that it would hear an appeal June 13th—if the case was still alive. The company obligingly extended the date for consummating the plan from May 10th to May 17th, although preferred stockholders had already received letter of instructions regarding the handling of the exchange operation by the Guaranty Trust Company. Meanwhile, it is reported that the Supreme Court will give the matter prompt attention.

All of these moves and countermoves have added to the difficulties of those Wall Street traders who initiate over-the-counter markets for new securities contained in exchange packages. Because of the pressure of short selling, such arbitrage markets recently have not seemed to reflect the "investment values" of the new securities. To arrive at these values at least a short period of market seasoning is usually required.



Consumers Power—Dedication Of Cobb Plant

CONSUMERS POWER recently celebrated the dedication of its big new steam generating plant at Muskegon, Michigan—named the B. C. Cobb plant in honor of one of its principal organizers, and president 1915-34. Mr. Cobb was the very

gracious guest of honor who impressed all with his continued high hopes for the industry. Two 60,000 kilowatt units are now operating smoothly and the third will be completed in 1950. The plant is 121 feet high, with 103 feet accounted for by the boilers; steam pressure and temperature are 900 pounds and degrees, respectively. Coal is brought close to the plant by steamer, and is pulverized and blown into the furnaces. Westinghouse generators, with hydrogen cooling and other modern devices, can deliver power well in excess of the rated capacity.

Following the inspection and dedication of the plant, the Greater Muskegon Chamber of Commerce held a banquet for some 600 officials and guests, including a party of bankers and press representatives from New York city. Addresses were made by President Justin Whiting, Michigan's Governor Mennen Williams, and President Leonard E. Read of the Foundation for Economic Education (New York).

Mr. READ, giving the principal address of the evening, talked convincingly about the grave dangers of government ownership and other socialistic schemes which have been infiltrating Washington and local governmental centers. He pointed out that we are going through exactly the same stages that European countries passed through some years ago. Unless a concerted and effective campaign is waged to stem this socialistic trend, he declared, we may find ourselves controlled by a government ownership bureaucracy in another decade, the same as England and France now are. He urged that businessmen and citizens should aid in circulating counter-propaganda on the proved accomplishments of private enterprise. To be effective, such literature should tell the story of private *versus* public enterprise clearly and effectively. The common mistake of "writing down to the public" should be avoided, for such oversimplified stories are usually pedantic or unconvincing. The primary aim should be not to create votes for any particular party or measure, but to enlist strong leadership

PUBLIC UTILITIES FORTNIGHTLY

throughout the country, which in turn would promote sound public thinking and sponsor sound political measures.

The officials of Consumers Power and Commonwealth & Southern are to be congratulated for this fine job of cementing public relations and educating the public and the press.

Financing the Construction Program

WE reproduce, on page 701, a chart prepared by President A. F. Tegen of General Public Utilities Corporation,

showing how the electric utility industry's four-year \$6 billion construction program can be financed. Based on Mr. Tegen's analysis, only 57 per cent of the construction cost needs to be raised through the sale of securities—though eventually, perhaps, the proportion would increase to 69 per cent. Based on the former figure the average annual financing requirement of about \$850,000,000 would be raised as follows: bonds, \$520,000,000, preferred stock \$178,000,000, and common stock \$152,000,000. In 1948 the score was as follows: bonds \$963,000,000, preferred stock \$156,000,000, and common stock \$104,000,000.



UTILITY REVIEWS BY WALL STREET FIRMS*

<i>Company Analyses</i>	<i>Firm</i>	<i>No. Pages</i>	<i>Month</i>
American Power & Light	Hentz	1	April
American Power & Light	Josephthal	4	April
Arkansas Natural Gas	A. M. Kidder	1	March
Atlantic City Electric	Reynolds	4	March
Central Arizona L. & P.	Ira Haupt	3	Feb.
Central & South West	Hirsch	—	April
Central & South West	Paine, Webber	2	April
Cleveland Elec. Illuminating	Reynolds	1	March
Consolidated Edison	Thomson & McKinnon	6	April
Electric Bond & Share	Hirsch	2	April
General Public Utilities	Paine, Webber	2	April
General Public Utilities	Model, Roland & Stone	8	May
Interstate Power	Josephthal	2	April
Laclede Gas	Newhard, Cook	—	April
Middle South Utilities	Josephthal	4	April
Middle South Utilities	L. F. Rothschild	3	April
New York State E. & G.	Argus Research	2	March
North American Co.	Herzfeld & Stern	2	March
North American Co.	Eastman, Dillon	8	Jan.
North American Co.	Goldman, Sachs	22	March
North American Co.	Paine, Webber	2	April
Ohio Water Service	Claybaugh	3	March
Pacific G. & E.	Paine, Webber	2	April
P. S. of Indiana	Eastman, Dillon	11	Jan.
Tucson G. E. L. & P.	G. A. Saxton	—	April
United Gas Corp.	Paine, Webber	3	May
Wisconsin Electric Power	Argus Research	2	March

<i>General Reviews, etc.</i>
Connecticut Utilities
Electric Utilities of Indiana
Electric Utilities Outlook
Electric Utility Common stocks (Tabulation)
Natural Gas Stocks
Monthly Review
Monthly Review

Day, Stoddard & Williams	—	April
Argus Research	2	April
Goodbody	12	March
First Boston	7	April
Argus Research	7	Feb.
Reynolds	2	April**
Eastman, Dillon	11	April**

*Similar lists appeared in the FORTNIGHTLY of March 17th, and in 1948 in the December 16th, September 9th, June 3rd, and March 11th issues. **Latest issue.

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DIVIDEND-PAYING ELECTRIC UTILITY STOCKS

	5/4/49 Price About	Indicated Dividend Rate	Approx. Yield	12 Mos. Ended	Share Current Period	Earnings Previous Period	% In- crease	P-E Ratio
Revenues \$50,000,000 or over								
B Boston Edison	42	\$2.80	6.7%	Dec.	\$2.90	\$2.75	5%	14.5
S Cincinnati G. & E.	28	1.40	5.0	Jan.	3.19	—	—	8.8
S Cleveland Elec. Illum.	40	2.20	5.5	Dec.	2.98	2.80	6	13.4
S Commonwealth Edison	27	1.50	5.6	Mar.	1.81	1.94	D7	14.9
S Consol. Edison of N. Y.	23	1.60	7.0	Mar.	2.09	2.20	D5	11.0
C Consol. Gas of Balt.	65	3.60	5.5	Mar.	4.45	4.16	7	14.6
S Consumers Power	36	2.00	5.6	Mar.	2.41	2.36	2	14.9
C Detroit Edison	22	1.20	5.5	Mar.	1.63	1.55	5	13.5
C Duke Power	78	4.00	5.1	Dec.	6.48	6.29	6	12.0
S Louisville G. & E.	28	1.80	6.4	Dec.	2.95	2.25	31	9.5
S Northern States Power	11	.70	6.4	Dec.	.91	.87	5	12.1
S Pacific G. & E.	32	2.00	6.3	Dec.	2.51	2.57	D2	12.7
S Penn Power & Light	19	1.20	6.3	Mar.	2.20	1.74	D6	8.6
S Philadelphia Elec.	23	1.20	5.2	Mar.	1.70	1.66	D2	13.5
S Pub. Service E. & G.	22	1.60	7.3	Dec.	1.97	2.41	D18	11.2
S So. Calif. Edison	32	2.00	6.3	Mar.	2.57	1.60	61	12.4
S Virginia Elec. Power	17	1.20	7.0	Mar.	1.21	1.39	D13	14.0
S Wisconsin Elec. Power	19	1.10	5.8	Dec.	1.86	1.73	8	10.2
Averages				6.0%				12.3
Revenues \$25-\$49,000,000								
S Carolina P. & L.	29	\$2.00	6.9%	Mar.	\$3.41	\$3.00	14%	8.5
O Central Illinois P. S.	16	1.20	7.5	Mar.	1.77	1.74	2	9.0
O Connecticut L. & P.	53	3.25	6.1	Mar.	3.64	3.32	10	14.6
S Dayton P. & L.	30	1.80	6.0	Dec.	2.56	2.39	7	11.7
S Houston L. & P.	49	2.20	4.5	Mar.	3.61	3.40	6	13.6
S Illinois Power	31	2.00	6.5	Feb.	3.27	—	—	9.5
O New Orleans Pub. Ser.	35	2.25	6.4	Mar.	2.89	2.53	14	12.1
O New York State E. & G.	46	3.40	7.4	Dec.	4.24	4.35	D3	10.8
O Northern Indiana P. S.	16	1.20	7.5	Mar.	2.26	2.06	10	7.1
S Ohio Edison	31	2.00	6.5	Mar.	2.86	2.75	4	10.8
O Ohio Public Service	16	1.12	7.0	Dec.	1.51	1.38	9	10.6
S Potomac Elec. Power	13	.90	6.9	Dec.	1.15	.97	19	11.3
S Pub. Serv. of Colorado	42	2.20	5.2	Dec.	4.22	3.66	15	10.0
O Pub. Serv. of Indiana	24	1.60	6.7	Mar.	2.57	2.17	18	9.3
O Puget Sound P. & L.	13	.80	6.2	Feb.	1.50	1.77	D15	8.7
Averages				6.5%				10.5
Revenues \$10-\$24,000,000								
O Atlantic City Elec.	17	\$1.20	7.0%	Mar.	\$1.48	\$1.40	6%	11.5
S Birmingham Elec.	10	—	—	Mar.	1.27	.96	32	7.9
O Central Arizona L. & P.	11	.70	6.4	Mar.	1.20	.65	85	9.2
S Central Hudson G. & E.	7	.52	7.4	Mar.	.60	.49	22	11.7
O Central Illinois E. & G.	20	1.30	6.5	Dec.	2.47	2.67	D7	8.1
O Central Maine Power	16	1.20	7.5	Feb.	1.52	.97	57	10.5
S Columbus & S. Ohio Elec.	21	1.40	6.7	Dec.	2.00	2.22	D10	10.5
O Connecticut Power	33	2.25	6.8	Dec.	1.93	2.39	D19	17.1
O Delaware P. & L.	20	1.20	6.0	Mar.	1.76	1.26	40	11.4
S Florida Power Corp.	15	1.00	6.7	Mar.	1.64	1.38	19	9.1
S Gulf States Util.	19	1.20	6.3	Feb.	1.59	1.35	18	11.9
C Hartford Elec. Light	47	2.75	5.9	Dec.	2.77	2.90	D4	16.7
S Idaho Power	32	1.80	5.6	Dec.	3.15	1.86	69	10.2
S Indianapolis P. & L.	26	1.60	6.2	Dec.	3.11	2.76	13	8.4
O Interstate Power	7	.60	8.6	Mar.	.98	—	—	7.1
O Kansas Gas & Elec.	27	1.80	6.7	Mar.	2.73	2.41	13	9.9
O Kansas Power & Light	16WD	1.00E	6.3	Dec.	1.45	1.35	7	11.0
O Kentucky Utilities	11	.80	7.3	Dec.	1.43	—	—	7.7
O Minnesota P. & L.	27	2.20	8.1	Nov.	2.51*	—	—	10.8
C Mountain States Power	32	2.50	7.8	Feb.	4.72	4.58	3	6.8
O Oklahoma G. & E.	36	2.40	6.7	Mar.	3.68	3.48	6	9.8

PUBLIC UTILITIES FORTNIGHTLY

(Continued)

	5/4/49 Price About	Indicated Dividend Rate	Approx. Yield	Shares 12 Mos. Ended	Earnings		% In- crease	P-E Ratio
					Current Period	Previous Period		
O Portland General Elec.	24	1.80	7.5	Dec.	2.60	2.60	—	9.2
O Public Service of N. H.	24	1.80	7.5	Mar.	1.90	1.53	24	12.6
O San Diego G. & E.	13	.80	6.2	Dec.	.84	.66	27	15.5
S Scranton Electric	13	1.00	7.7	Mar.	1.08	1.29	D16	12.0
S South Carolina E. & G.	8	.60	7.5	Dec.	1.21	.83	46	6.6
O Southwestern Pub. Serv.	29	2.00	6.9	Feb.	2.63	2.27	16	11.0
C Tampa Electric	29	2.00	6.9	Feb.	2.14	2.20	D3	13.6
O United Illuminating	42	2.25	5.4	Dec.	2.60	2.56	2	16.2
C Utah Power & Light	23	1.60	7.0	Mar.	2.72	2.42	12	8.5
O Western Mass. Cos.	27	2.00	7.4	Dec.	2.30	2.41	D5	11.7
O Wisconsin P. & L.	15	1.12	7.5	Dec.	1.35	1.38	D2	11.1
Averages					6.9%			10.8
Revenues under \$10,000,000								
C California Elec. Pr.	7	\$.60	8.6%	Dec.	\$.74	\$.77	D4%	9.4
O California Oregon Power	23	1.60	7.0	Mar.	2.99	2.28	31	7.7
O Central Vermont Pub. Serv.	9	.68	7.6	Mar.	.65	.32	103	13.8
C Community Pub. Service	31	2.00	6.5	Dec.	3.98	3.34	19	7.8
O El Paso Electric	29	1.60	5.5	Feb.	3.07	2.72	13	9.4
S Empire Dist. Elec.	16	1.12	7.0	Dec.	2.30	2.03	13	7.0
O Gulf Pub. Service	11	.80	7.3	Aug.	1.40	1.21	16	7.9
O Iowa Southern Util.	14	1.00	7.1	Mar.	1.87	1.43	31	7.5
O Madison Gas & Elec.	24	1.60E	6.7	Sept.	1.72	1.92	D10	14.0
O Michigan Gas & Elec.	15	1.20	8.0	Dec.	1.95	2.19	D11	7.7
O Missouri Utilities	14	1.00	7.1	Dec.	1.96	1.75	12	7.1
O Northwestern Pub. Serv.	9	.80	8.9	Dec.	1.31	1.10	19	6.9
C Penn Water & Power	36	2.00	5.6	Dec.	4.81	4.32	11	7.5
O Pub. Serv. of New Mexico	15	1.00	6.7	Dec.	1.69	1.47	15	9.5
O Rockland Light & Power	8	.50	6.3	Dec.	.54	.68	D21	14.8
O Southern Indiana G. & E.	20	1.50	7.5	Mar.	2.39	2.26	6	8.4
O Tide Water Power	7	.60	8.6	Mar.	.80	1.04	D23	8.8
Averages					7.2%			9.1
Averages, four groups ..					6.7%			10.7
Canadian Companies†								
C Brazilian Trac. Lt. & Pr.	19	\$2.00	10.5%	Dec.'47	\$3.69	\$3.28	13%	5.1
C Gatineau Power	17	1.30	7.6	Dec.	1.26	1.63	D23	13.5
C Quebec Power	16	1.00	6.3	Dec.	1.14	1.21	D6	14.0
C Shawinigan Power	24	1.20	5.0	Dec.	1.58	1.63	D3	15.8
C Winnipeg Electric	32	1.40	4.4	Dec.	1.81	1.96	D8	17.7
Integrated Holding Company Stocks								
C American Gas & Elec.	45	\$2.50E	5.6%	Feb.	\$4.54	\$4.18	3%	10.1
S Central & South West	12	.80	6.7	Dec.	1.37	1.25	10	8.8
O Middle South Utilities	15WD	1.10E	7.3	Mar.	1.76	1.43	23	8.5
S New England Elec. System	9½	.80	8.4	Dec.	1.08	1.35	D20	8.8
O New England G. & E.	12	.80	6.7	Mar.	1.44	1.20	20	8.3
S West Penn Elec.	19	1.00	5.3	Dec.	3.68	3.07	20	5.2
Averages					6.5%			8.3
Other Holding Company Stocks								
C American L. & Tr.	25	\$1.20	4.8%	Dec.	\$.69	\$.77	D10%	36.2
C Cities Service	48	2.00	4.2	Dec.	17.77	10.93	63	2.7
C Electric Bond & Share	14	Stock	—	—	—	—	—	—
S General Pub. Utilities	14	.80	5.7	Dec.	2.07	2.00	4	6.8
S North American	19	1.00	5.6	Mar.	2.15*	—	—	8.8
C Philadelphia Co.	14	.70	5.0	Dec.	.89	.77	16	15.7
S United Gas Imp.	21	1.30	6.2	Mar.	1.40	1.87	D25	15.0
C United Light & Rys.	28	Stock	5.2	Dec.	3.50	3.04	15	8.0
O West Penn Power	32	2.00	6.3	Dec.	2.50	2.13	17	12.8
Averages					5.4%			13.3

B—Boston Exchange. C—Curb Exchange. O—Over-counter or out-of-town exchange. S—New York Stock Exchange. E—Estimated. **Pro forma*. WD—When delivered. †While these stocks are listed on the Curb, Canadian prices are used.



What Others Think



Gas Industry Prospects

GAS utility companies are most optimistic in their 1949 business forecasts. H. Carl Wolf, managing director of the American Gas Association, reveals results of a recently completed survey of representative gas utilities comprised of large, medium, and small companies in the natural, manufactured, and mixed branches from each geographic region in the country.

A number of the companies surveyed expect to equal or surpass last year's sales in 1949. Most of the remaining companies estimate sales of all appliances would be only 5 per cent to 10 per cent under 1948, which was an all-time peak year. Net result expected is that sales of gas and gas appliances will exceed substantially the best prewar sales records.

Last year's record was made possible by pent-up demands, improved postwar appliances, and coördinated promotional efforts throughout the industry.

Two major campaigns under the AGA Promotion, Advertising, and Research (PAR) Plan have been launched this year. The "Court of Flame" program sponsored by the water-heater division of the Gas Appliance Manufacturers and supported by national advertising and promotional efforts of AGA, appreciably has stimulated sales of automatic gas water heaters in the first quarter of 1949. Gas utility companies and appliance dealers have augmented the national advertising of AGA, GAMA, and the 23 participating gas water-heater manufacturers, at the local level, to achieve an unprecedented volume of promotion for automatic gas water heaters in magazines, newspapers, radio, and point of sale channels. AGA is spending \$110,000 in national advertising, gas water-heater manufacturers will spend \$450,-

000, and local advertising of gas utility companies and dealers will bring total expenditures to more than a million dollars.

A NEW dealer-promotion effort to increase sales of all types of domestic gas ranges was launched recently. This campaign already has enlisted the enthusiastic support of the gas utility companies and dealers throughout the nation. Approximately 15,000 dealer portfolios presenting a complete sales campaign have been placed in the hands of dealers by utility companies and appliance manufacturers.

The promotion effort is backed up by important research.

Improvements in the designs of gas appliances and in the utilization of gas in homes resulting from the domestic gas research program conducted by the association under its coördinated promotion, advertising, and research plan were brought into sharp focus at a conference recently completed at Cleveland, Ohio.

Under this intensive program the gas flame literally has been taken apart in the laboratories of the association, the Institute of Gas Technology, leading research institutions, gas appliance manufacturers, and gas utility companies, in a unified effort to improve all domestic gas services.

Research projects covering design, installation, and use of all gas appliances are being carried on from exploratory-to pilot plant and model stages. Burner design and operation, oven heat distribution, automatic ignition of appliances, kitchen ventilation, humidity control, combustion principles, design, construction and operation of pilots are a few of the problems being given special attention.

Purdue Research Foundation, Battelle

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Memorial Institute, Pennsylvania State College, Bureau of Mines, Ohio State University, Case Institute of Technology, University of Illinois, University of

Toledo, and A. D. Little, Inc., are among the nationally known institutions that have conducted research projects under the PAR Plan.

Government Lobbying

PRESIDENT of the National Association of Electric Companies, P. L. Smith, declares that government bureaucrats lobbying on the public payroll to advance pet causes in competition with private enterprise are one of the most powerful influences driving this country toward Socialism.

Mr. Smith is under Federal law as a legislative agent registered in Washington, D. C. He represents 102 electric operating companies serving in 41 states and the District of Columbia. His criticism of unregistered bureaucrat lobbyists occurred in New York city's Town Hall at the ninth annual forum on economic and social trends, sponsored by the American Society of Chartered Life Underwriters.

"The bureaucrat lobbyists have become so numerous and so adroit in extracting appropriations from Congress," Mr. Smith said, "that they are threatening to destroy whole segments of our private enterprise system.

"These people work under the guise of public servants and pretend to advance the public welfare. Actually they are

spending the taxpayers' money to set up and enlarge privileged enterprises which compete with and eventually drive out of existence the very businesses which help to support them through their taxes. The end is Socialism."

He said that "almost unbelievable pressures" are brought upon Congressmen by these inside-the-government lobbyists.

In reporting that their area of activity had expanded more widely and more directly in the electric field than in any other segment of the nation's economy, Mr. Smith said the American taxpayer was footing an enormous bill for a drive to nationalize the electric light and power industry, which, if successful, would deprive Federal, state, and local governments of the source, based on last year's figures, of \$713,000,000 of tax revenues.

This drive, he said, was part of an effort that has for its goal the socialization of all basic industries.

"We must stop this march toward nationalization if we are to save the freedoms people fought for centuries to attain," Mr. Smith said.

Public Relations by Advertising

CONSOLIDATED EDISON COMPANY OF NEW YORK is not the only utility company to use advertisements in daily newspapers to keep the public advised on current problems, but it is one of the steadiest and most consistent users of that medium.

During the spring when an important strike was threatened, the company ran a series of three advertisements. The headline titles were: "The Public Comes First," "A Strike Vote Has Been Taken,"

and "A Strike at Con Edison Can Be Avoided!"

A fourth ad in the series was headed "Con Edison would be neglecting your interests if we didn't tell you this." That ad was released several days after the strike call had been canceled. The text of the advertisement is short, and is reproduced here:

Con Edison has a responsibility to you, the people of New York; to its

WHAT OTHERS THINK



"ISN'T THERE ANOTHER WAY AROUND—I OWE HIM TWO BUCKS?"

155,000 owners whose money makes service possible; as well as to its family of employees.

To meet our responsibility to our customers—to always be able to deliver enough electricity, gas, and steam—we are in the midst of expanding our plants and facilities. By 1952, this post-war expansion program is expected to cost the huge sum of \$435,000,000.

To meet our responsibility to the 155,000 people who own stock in this business, reasonable earnings are essential. It is to such everyday people—willing to invest their savings with us—that we must look for money for your future service.

In the face of the job ahead, electric rates are too low. They are dangerous-

ly inadequate to insure the service New York needs now and in the future. We would be neglecting *your* interests if we did not say so.

SINCE the time when the above advertisement was published, early in March, the company has started the publishing of a new series in New York city newspapers. Some of the ads are designed to convey the fact that, if the company is to meet its responsibilities, it must remain financially healthy. Such a condition is a necessity if the company is to finance its huge expansion program, it is pointed out.

The ads also present the current economic and legal factors involved in the local electric and gas rate situation and

PUBLIC UTILITIES FORTNIGHTLY

explain why the whole community—customers, employees, and stockholders—will benefit by fair prices for utility service. Some supplementary presentations reveal with pictures and brief story nu-

merous little-known or taken-for-granted phases of the company's around-the-clock job of providing New Yorkers with a safe and dependable supply of electricity and gas.

Story behind a Pipe Line

WHAT goes on behind the building of a pipe line?

At the very outset, engineers and geologists have to obtain a source of gas that can supply the new line. Market specialists must select markets with a view towards future needs, and then purchase and sales contracts have to be negotiated. These usually are for 20-year periods. Engineers can then be turned loose on the problem of designing equipment, and, finally, draftsmen are allowed to draw a line on a map. The object of all this preparation is to provide facilities that will deliver the necessary gas at the least cost of service over the longest period of years.

The above sentences represent a portion of an interesting story told by Texas Gas Transmission Corporation in connection with its announcement that the Federal Power Commission has given final approval for the company to build and operate a 26-inch natural gas pipe line that will stretch over 800 miles from the fields of Texas and Louisiana, through the Mississippi and Ohio river valleys to a connection with the Big Inch pipe-line system of Texas Eastern Transmission Corporation near Middletown, Ohio.

Other interesting excerpts from the story behind the pipe line follow:

Actual construction still remains a long way off. The route must be surveyed, first from the air and then, more painstakingly, from the ground until every foot is analyzed for construction obstacles. There are rivers to be crossed—17 of them in the case of the new Texas Gas line—railroad tracks, highways, swamps, etc. Rights to the land are necessary, and there

are at least three-and-a-half parcels of property to the mile—each parcel owned by as many as twenty-five people who must authorize use of their land.

Meanwhile, the purchasing agent has been tackling the back-breaking problem of buying thousands of hard-to-get items needed for the line. Most of the necessary purchases have been, and still are, in the "sellers' market." The purchasing agent must get what is available (and often what is not available) and assure its delivery at a price that will make operation of the line economically sound.

Texas Gas Transmission's purchasing agent had a notebook that contained these items: 175,000 tons of steel pipe, delivered to specifications, 60,000 gallons of primer (the first coat of paint for the pipe), 17,000 tons of enamel to protect the line from corrosion once it is buried in the ground. He also had to find 2,000-barrel raw water storage tanks, knockout drums for compressed natural gas, fire-fighting equipment, cables and wires for electrical installations, "pigs" to clean the new pipe lines, several thousand feet of fencing, first-aid equipment, and supplies for the office staff from typewriter ribbons to pencil sharpeners.

Even when materials start coming in, one important step remains. The combined activities of everything the transmission company has done prior to building, and hopes to do, must be presented to the Federal Power Commission, so that that agency can examine the economics of the project, the need for gas, and the supplies available.

It is only after the FPC's long and

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studied deliberations that construction crews in the field get the go-ahead signal.

Texas Gas Transmission Corporation explains that to keep pace with the un-

preceded demand for still more natural gas, the industry last year spent \$675,000,000 to build 8,500 miles of lines and other facilities. Further, the industry expects to spend almost two billion dollars more over the next four years.

Gas Industry Progress

PERSONS interested in the extent and progress of the gas industry during 1948 will obtain a vivid picture by thumbing through the 28-page annual report of the American Gas Association for that year.

One telling way of determining the extent of the association's efforts to promote and develop the gas industry is to glance at the consolidated statement of receipts and expenditures of the AGA for the year ended September 30, 1948, which appears on page 27 of the report. Total expenditures were \$3,174,433.55.

To explain this expenditure figure would require complete reproduction of the report. However, it is of interest to note that the two largest items of expenditure (each over \$800,000) were for national advertising and research.

The largest single source of funds for the association's expenditures consisted of subscriptions and contributions (\$1,402,466) to what is termed the PAR Plan—Promotion, Advertising, and Research Plan. Another important source of receipts is payment of membership dues (over \$600,000), primarily by utility companies and individuals.

A few facts about the AGA organization are revealing. The executive board has forty-two members. Policies of the board are carried out by the departments, sections, committees, and a permanent staff of 230. Housing facilities include AGA headquarters in New York (420 Lexington avenue) and laboratories in Cleveland and Los Angeles.

MUCH of the association's work is centered in 240 committees manned by 2,574 members. Membership is at a near-saturation point, accounting for companies serving 90 per cent of the total utility gas customers in the United States. Gas companies in the AGA totaled 437 at the year's end, a net loss of four due to consolidations. Manufacturer company members rose to 567 members, a gain of 27 companies. The addition of two associate companies brought the total in this category to 18. Individual members climbed to 4,970, a net gain of 300.

Coordination of activities and coöperation with related organizations stand out as two fundamental principles of the American Gas Association.

Fair Prices for Electricity

THE public can be hurt as much, and maybe more, by denial of deserved rate increases for utilities as they could be hurt by permitting continuance of rates higher than are strictly necessary to do the job.

That idea was emphasized effectively in a recent radio talk by Albert A. Cree, president, Central Vermont Public Service Corporation. The short presentation

was given over WGY's Farm Forum of the Air, Schenectady, New York, early in April.

A few excerpts from Mr. Cree's message indicate the persuasive quality of his discussion:

For many years past, the expressed degrees of contentment, or lack of it, with the vital services rendered by electric utility companies have varied al-

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most in direct proportion to the frequency and size of rate decreases. Frequent price reductions came to be taken for granted almost as much as the high and steadily improving quality of electric service has been taken for granted.

But, times have changed now, as all of us so well know. Prices which a short year or so ago might have been adequate to pay the costs of producing and distributing electricity, including the necessary wages for capital employed, are no longer adequate to do that job. So, prices for electricity for the first time in several decades have been moving upward and the end of that movement is not yet in sight.

Mr. Cree explained that the electric utility industry is in a somewhat peculiar position. He pointed to the characteristics of this situation along the following lines:

... It cannot exactly raise prices at will to cover increasing costs. It can do so only after the necessity for such increases has been very carefully examined by public service commissions who have the duty of protecting the people from excessive prices or defi-

cient service, or both. Also, if, for any reason, a public service commission fails to approve prices that are necessary to cover costs and attract needed capital, the electric utility cannot, as can an industrial concern, for instance, reduce its operations or its production, or forego plant expansion so as to get its costs in line with its revenues.

The utility does not have that choice. It is duty bound, morally and legally, to anticipate and fulfill the electric service requirements of the public in its area. . . .

For the immediate as well as the long-term best interests of the public, prices for electric service must be maintained at levels which are adequate, with efficient operations, to produce earnings high enough to attract the new capital required now and in the future.

In concluding, Mr. Cree appealed to the public to get in touch with members of public service commissions and present its views. He said, "Let them know that you expect to and are willing to pay fair prices for service rendered so that such service can be continued and improved."

Notes on Recent Publications

Home Economics As a Profession. The Edison Electric Institute recently has published an attractive booklet entitled "Make Home Economics Your Profession." Its eight pages, in two colors, are designed to be used by electric utility companies in recruiting trained home economics personnel. Opportunities open to home economists in many fields are outlined. Primary aim is to encourage high-school students to study home economics in college.

Stressed are the wide variety of occupations that are open to trained home economists and the attractive future offered by a career in that field. Electricity plays no small part in the picture. The booklet was prepared by a subcommittee of the EEI Sales Personnel and Training Committee. It is available from Edison Electric Institute, 420 Lexington avenue, New York 17, New York, at \$50 per thousand copies and \$5 per hundred. Three other associations are coöoperating.

Government As an Employer. The Brookings Institution in Washington, D. C., has published a 253-page book which presents the results of a study of Federal employees during the last war and since. One of the book's featured conclusions is that a large proportion of employees in the higher salary brackets (above \$4,900) consider the government to be a "good employer." The study analyzes the stresses placed upon the Civil Service Commission and other Federal agencies in the war period, appraises the means taken to meet the emergency, and makes recommendations for improvements. In addition, the publication gives a complete analysis of Federal employment, including statistics, position classification, recruitment, appointments, promotions, and lay-off policies. The conclusions are somewhat critical of the U. S. Civil Service Commission. *FEDERAL EMPLOYEES IN WAR AND PEACE.* By Frances T. Cahn. The Brookings Institution, Washington 6, D. C. Price \$3.50.

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Careers in Public Utilities. New York University reveals the opportunities for interesting and profitable employment in the utility industry. In a 63-page booklet entitled "Business As a Career," the university discusses all of the principal businesses and trades. Included is a chapter on careers in public utilities and transportation. A few of the ideas presented are given here in brief: "Expansion of government regulation is adding to the list of industries classified as public utilities; and, as a result, the need is growing for men trained to cope with the complicated problems of regulation on the one hand, and of private operation and management under regulation on the other. These are essential services and are certain to have a continuous need for trained personnel, regardless of any changes in form of organization or ownership." With respect to transportation, the booklet said: "Government regulation of every form of transportation has become so complex that men and women familiar with the provisions and established interpretations of the statutes and administrative regulations are valuable both to transportation companies and to concerns that buy transportation." NEW YORK UNIVERSITY BULLETIN, January 10, 1949, Volume XLIX, Number 6. Address: 100 Washington Square East, New York 3, New York.

Manual on Rural Electrification. Utility executives interested in a manual written for farmers and home owners regarding the most efficient methods of using electricity may be glad to know of the existence of a 338-page book entitled *Rural Electrification*. Controversial issues are not included. The preface tells us that the book was written primarily for vocational agriculture teachers in high schools. "It is hoped that it may also be of value to the agricultural-engineering and home economics departments of the state colleges of agriculture, farmers having or contemplating electric service, vocational schools, and the rural service men of the electric power suppliers of the nation." Subject matter covered varies from the proper way to tie a "holding knot" when replacing a cord in a plug to detailed instructions on the use of electric pig brooders. The book is a "natural" for sales promotion. It was written by J. P. Schaezner, who was for eight years vocational agriculture instructor in South Dakota and Wisconsin, and for twenty years has been engaged in state and national rural electrification activities. The book is in its fourth revised edition. *RURAL ELECTRIFICATION*. By J. P. Schaezner. The Bruce Publishing Company, 540 N. Milwaukee street, Milwaukee 1, Wisconsin. Price \$3.76.

SEC 14th Annual Report. Registrations of securities with the Securities and Exchange Commission for cash sale by transportation and communication companies in the 1948

fiscal year established a new high for the group, exceeding by 41 per cent the previous high recorded in the 1947 fiscal year. They accounted for a third of the total and led the list. The amount of such registrations by the electric, gas, and water group was almost equal to that for the transportation and communication group. It represented an increase of 32 per cent from its amount for the 1947 fiscal year, the 1948 total being \$1,606,551,000. These and other interesting facts are available in the fourteenth annual report of the Securities and Exchange Commission for the fiscal year ended June 30, 1948. For example, starting on page 11 is a summary of oil and gas investigations made by the commission's technical staff. Also, a very detailed account is given of the administration of the Public Utility Holding Company Act of 1935. The 211-page report is for sale by the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. Price 45 cents.

Selling Uncle Sam's Country. Some utility companies are distributing to their employees a 20-page booklet entitled "The Miracle of America." It is published by the Advertising Council, Inc., 25 West 45th street, New York 19, New York. The booklet is well illustrated and should have a broad appeal. The approach used has the distinction of combining principles expounded by trade associations and chambers of commerce with ideals held by groups generally characterized by the term "liberal." For example, point number one (conservative) on the proposed 10-point platform is "Freedom of the individual to work in the callings and localities of his choice." Further down the list is (liberal): "Protection for the individual—by public or private means—against the basic hazards of existence over which he may have no control." Theodore S. Repplier, president of the Advertising Council, Inc., recently warned members of the American Association of Advertising Agencies that if the economic skies darken, "all of us should work even harder at the job of stepping up public good will toward business, advertising, and our American free-choice system."

Training Salesmen. Many trade associations are engaged in formal sales training work. Included in these groups are the American Gas Association, Edison Electric Institute, National Electrical Wholesalers Association, and the Electric Institute of Washington, D. C. A comprehensive 60-page booklet, entitled "Training Salesmen," has been published by the Policyholders Service Bureau of the Metropolitan Life Insurance Company. It was prepared for group policyholders and may be had by executives who address the bureau, Metropolitan Life Insurance Company, One Madison avenue, New York.



The March of Events

In General

"E-Day" Proclaimed

JUNE 1st has been proclaimed as "E-Day" (Electric Day), Ernest R. Acker, president of the Edison Electric Institute, announced recently. On this date, all members of the electrical industry are urged to publicize the industry's new slogan, "Of Course—It's Electric!" through all possible advertising media, and to begin intensive promotion of the all-electric kitchen.

With the industry "once again in a buyer's market," Mr. Acker said, "E-Day" is expected to signal a return to large-scale promotion of electrical living, with emphasis at this time on sales activities being placed upon the major residential kitchen appliances.

Act to Bar Oil Suit

ANOTHER battle between the states and the Federal government over the oil-rich areas under marginal seas was staged in the U. S. Supreme Court this month, this time to ascertain whether Louisiana and Texas can be sued without their consent for the valuable submerged properties off their coast lines.

If the high court supports Attorney General Tom C. Clark's argument that the suit is legally possible, the tribunal will hear the merits of the cases against the two states at the term starting next October.

The recent arguments, held in Washington, D. C., concerned the jurisdiction of the Supreme Court.

Alabama

Increased Utility Taxation Recommended

INCREASED state taxation against public utilities, to produce an additional \$8,982,000 a year in revenue, was recommended to the state legislature on May 3rd by Governor James E. Folsom.

He also proposed increased corporate

and personal income taxes, a one per cent increase in the sales tax, a severance of natural resources, soft drinks, real estate dealers, amusements, and credit and loan companies.

His tax program, if enacted, would raise a total of nearly \$59,000,000 in additional revenue for expanded state services.

Arkansas

Complaint Ordered Dismissed

THE state supreme court early this month ruled that a municipality may pass an ordinance requiring inspection

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of telephone and electric power poles, but cannot pass a revenue measure in the guise of an inspection ordinance.

This stand was taken in a case in

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which an ordinance of the city of Rector requiring inspection of polls and levying a fee of 10 cents a month on each was attacked by the Arkansas-Missouri Power Company. Rector officials appealed to the state supreme court after the Clay County Chancery Court held the ordinance void.

The high state court said no evidence was offered to support the chancery de-

cree. Stating that the city under its police powers may levy a tax on poles to defray expenses of inspection, the court added that "of course, under the guise of an inspection fee, a municipality cannot camouflage a revenue measure."

The case was remanded with directions to dismiss the complaint unless the power company elects to offer proof that the ordinance is a revenue measure.

California

Bargaining Bill Defeated

ABILL which would have required collective bargaining for Sacramento Municipal District and other public employees in the state was defeated recently in the California assembly. The vote against the bill was 42 to 27.

Assemblyman Carl Fletcher of Los Angeles county, author of the legislation, said employees of public utilities should have the same right for bargaining on wages and working conditions that are enjoyed by private utility employees.

"There have been a number of court decisions recognizing the right of public employees to have the same consideration as employees of private companies," Fletcher said.

Assemblymen Gordon A. Fleury and John E. Moss, Jr., of Sacramento

county were among the opponents of the bill.

Fleury said he was opposed to the bill "mainly because our civil service laws would be absolutely nullified if we give the right of collective bargaining to government employees." Assemblyman Moss contended the bill was unnecessary.

Power Election Delay Fails

THE Redding city council recently turned down, 3 to 2, a proposal that the power contract election set for June 14th be postponed.

The election has been called to decide whether Redding's municipal system shall continue to buy its electrical power from the Pacific Gas and Electric Company or switch to the Bureau of Reclamation.

Kentucky

Join in Over-all Electric Study

PUBLIC and private power interests on May 3rd agreed to lay aside their differences and join in an over-all study of Kentucky's electric facilities and needs.

The decision came at a conference of public and private utility officials called by Robert M. Coleman, chairman of the state public service commission. The group had heard Governor Earle Clements urge negotiation of a "working agreement to make cheaper power available to more farm homes." The gover-

nor said he expected the private and public utility officials to "sit down and find common ground" through which more farm homes could be electrified.

The study of generating, transmitting, and distributing electric energy and interchanges and exchanges of power, will be made jointly by the staffs of Kentucky Utilities Company, rural electric cooperative corporations, rural electric associations, Tennessee Valley Authority, and the public service commission. A report is expected around June 15th.

Louisiana

Purchase Offer Made

A DEFINITE offer by the Gulf States Utilities Company for the purchase of the electric system of Lafayette for a cash consideration of \$3,100,000 was made recently by G. R. Fulton, Lake Charles, vice president of the utility company. The Gulf States official said that his company was not interested in the purchase of the water distribution system.

The proposition was made to the finance and tax structure committee of the citizens planning group. Joseph W. Simon, Jr., chairman of the committee

receiving the proposition, said that the group at a meeting last month recommended to the city officials that \$7,000,000 in self-liquidating bonds be issued to completely rehabilitate the electric, water, and sewerage systems, and that tax bonds in the amount of \$1,080,000 be voted to take care of improvements with regard to drainage, fire departments, streets, recreation, etc.

Another member of the committee said that it was commonly known that the city officials are against the sale of the utilities and that it was felt that the taxpayers feel likewise.

New Jersey

Rate Boosts Sought

NEW JERSEY POWER & LIGHT COMPANY on May 5th filed with the state public utilities commission a request for electric rate increases ranging from approximately 2 cents a day for residential to about 14 per cent for industrial customers.

Hugh C. Thuerk, company president, said a 160 per cent rise in costs, compared to a 74 per cent increment in gross revenue since 1939, was among factors

prompting the request. He said it is the first rate increase the company ever has asked.

Last year, the commission authorized the company to omit its billing credit because of ice storm damage amounting to \$455,000. Thuerk pointed out, however, that in the last ten years billing charges have been reduced thirteen times.

The proposed new rate schedules also call for "modest increases" in charges for street lighting and miscellaneous services, according to Thuerk.

Oklahoma

Bill Fixing Gas Price Killed

THE state senate recently killed the bill proposing to give the state corporation commission authority to fix the price of natural gas at the well. It was defeated after a flare of tempers in the senate over delay in consideration of Governor Turner's road program bills.

The gas price-fixing bill was passed earlier with provision to fix the price of natural gas at 7 cents a thousand cubic feet at the well, pending a corporation

commission order. It was reconsidered and the 7-cent figure removed from the bill.

Dwight Leonard, Beaver, author of the bill, sought to amend it to apply only to the Hugoton field in Texas county, but his amendment was defeated. He said he thought it was the only way the bill could be passed through the house.

When opposition showed to the bill, Leonard sought to delay consideration, but J. A. Rinehart, floor leader, and

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James C. Nance, chairman of the revenue and taxation committee, opposed the maneuver, saying the bill should be disposed of as it already had consumed too much time of the senate.

A senate move to levy a 1-cent tax on natural gas was rejected in the house of representatives on May 5th. The senate,

by a 23-to-16 vote, had previously "shucked" a house bill and substituted the proposed tax measure. A bill is said to be "shucked" when entire contents are stricken and new subject matter inserted under the original number.

By a voice vote, the house sent the bill back to the senate without consideration.

Texas

Co-op Asks Probe of Power Sales

THE Brazos River Transmission Electric Coöperative on May 2nd asked for a "full and fair investigation" of hydroelectric power sales from Possum Kingdom dam.

T. C. Chadick of Quitman, attorney for the coöperative, wrote Senator A. M. Aikin, chairman of the senate general investigating committee, requesting that all hearings be open to the public.

The senate group has been ordered to look into a power contract between the co-op and the Brazos River Conservation and Reclamation District.

Chadick charged that had the sessions of a similar investigation made in 1943 been open to the public and the coöperative allowed to present testimony, the facts developed "would have eliminated all reasons for the present investigation."

The co-op has a 25-year contract with the district to purchase all power generated at Possum Kingdom dam at the actual cost of production. The district contends that the contract causes it to operate at a loss and has filed suit to cancel the contract. In a recent letter to all members of the legislature, the coöperative accused the district of supporting a state hydroelectric power regulatory bill

in hopes the passage of the bill would break the existing contract.

Transit Shutdown Averted

THE Dallas Railway & Terminal Company granted a wage increase to 1,200 of its employees recently and averted a paralyzing city-wide transportation strike.

DR&T President W. R. Burns immediately said the wage increases would make an increase in fares essential. He said he would appear before the city council to ask for one. The council rejected an application for a fare boost April 20th.

At that time the company had asked that 8-cent token fares be eliminated on local streetcars and busses, making the fare 10 cents straight, and also that fares for express busses and streetcars be hiked to 12 cents. The company also wanted student fares boosted from 5 cents to 6 cents.

Burns said that the request for fare hikes was made "in anticipation of having to grant wage increases."

Just thirty minutes before the settlement was announced jointly by the company and the union, employees of the company had voted 1,007 to 29 for a strike if negotiations broke down.

Vermont

House Kills Authority Bill

A PROPOSED New England Development Authority collapsed last

month as the state house of representatives killed a bill calling for participation in the 6-state compact. The 10-year plan

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was sponsored by the New England Governors' Conference and the New England Council. It automatically dies unless ratified by all six states.

The bill providing for Vermont's participation could be revived. It was defeated recently by a vote of 112 to 83. If it fails again to pass, a three-quarters vote would be required to suspend the rules for further consideration.

The compact would have set up an authority to investigate means of utilizing natural resources in New England, including water power, and of promoting the industrial growth of the region.

Republican Governor Ernest W. Gibson of Vermont, a leading sponsor of the compact, commented that it was strictly "the power company lobby" that defeated the bill.

Commission Order Reversed

A STATE public service commission's order allowing the New England Telephone & Telegraph Company only two-thirds of a requested \$1,400,000 in

annual rate increases in Vermont was reversed by the state supreme court on May 3rd.

At the same time, the high court ruled that the case be returned to the commission for more adequate findings.

The court's decision has no effect on rates being paid at present by subscribers in Vermont. If the high court had sustained the commission order, subscribers would have been in line for refunds.

Rates involved are the first two increases put into effect under bond in 1947. The two together constituted an annual increase of \$1,400,000.

The house on May 5th rushed a measure through under suspended rules, and Governor Gibson almost immediately affixed his signature, which permits the present commission to hear the telephone rate case. Until this measure passed, the law held that members of the commission which originally heard the case could sit in on the second hearing.

The commission is now comprised of two men who were not members during the original case and one who was.

Washington

Opposition to CVA Criticized

SECRETARY of State Earl Coe recently criticized Governor Langlie and Mayor William F. Devin of Seattle for their opposition to proposed Columbia Valley Administration legislation.

The governor last month denounced the proposed CVA as an all-powerful superagency without checks or balances. Creation of the CVA has been proposed by President Truman in a bill now before Congress.

Coe, who said he had been a long-time advocate of the CVA, said in a prepared statement:

The statements attributed to Governor Langlie and Mayor Devin of Seattle just don't make sense. On the one hand they cry out against the so-called

superstate and shout about bureaucratic control, and on the other they call for continued administration of the Columbia valley by existing agencies.

Coe said the Bureau of Reclamation, Army Engineers, Forest Service, Geological Survey, Agriculture Department, and the Fish and Wildlife Service are not controlled by people in the area.

Statements that a CVA would mean throwing away basic rights and freedoms are "pure bunkum," Coe declared. He said he believed one agency would plan and carry out better the development "of our greatest natural resource than to have a dozen or more Federal agencies bickering over which one is to get the appropriation to carry out some part of the program."

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West Virginia

Rate Hearing Set

A HEARING on the United Fuel Gas Company's petition for an increase in rates was set for June 9th by the state public service commission recently.

In a petition filed early this month, the gas company said the proposed new rates would increase the cost to the average consumer about four and a half cents a day, or roughly \$1.35 a month. The

average industrial increase would amount to between four and five cents per thousand cubic feet.

United Fuel, an affiliate of the Columbia Gas system, serves the southwestern part of the state, including the cities of Charleston, Huntington, Williamson, Logan, Ceredo, and Kenova.

Customers using less than 1,000 cubic feet of gas per month would not be affected by the increase, the company said.

Wisconsin

Utility Depreciation Still on Sinking-fund Basis

B ECAUSE of a pending appeal from an order of the Wisconsin Public Service Commission handed down October 14, 1948, the Wisconsin Electric Power Company still accrues for depreciation on a sinking-fund basis and at the 3½ per cent rate certified to the company by order of the commission dated October 17, 1940. The commission's order of last October, which was appealed, directed the company to change to a straight-line basis. This order was digested in PUBLIC UTILITIES FORTNIGHTLY issue of January 6, 1949, with a full text of the report in the issue of January 20, 1949 (76 PUR NS 53). Pending disposition of the appeal filed by the company, the state commission's order did not become effective.

Commission Investigation Asked

A GENERAL investigation of the state's public utility regulation was asked of the senate labor and management committee recently by William L. Smith, Neillsville, a former state senator.

Smith, head of the Badger Telephone Company, charged that the public service commissioners were run by the commission staff and that utilities of the state were run by a combination of the two.

Rates are the primary concern of the commission as it operates now, Smith

charged, with service to the public strictly a secondary consideration.

Smith appeared in support of a bill which he sponsored once before in the 1919 legislature. The bill provided that a public utility could change rates after thirty days' notice to the commission, but that the commission might suspend enforcement of the rate until after a hearing.

Seeks Authority to Convert To Natural Gas

T HE Wisconsin - Michigan Power Company, Appleton, recently requested authority to convert its system from manufactured gas to natural gas. The company serves 9,300 customers in Appleton, Neenah, Menasha, and surrounding communities. A spokesman said that natural gas was expected to be available in October, 1950.

The company's plea was uncontested. The sole witness was M. I. Lewis, superintendent of the company's gas department. He testified that the lower price of natural gas would double gas consumption in the area, particularly for space heating.

Lewis said that the cost of the change-over would be \$213,000, and that the cost to each customer for converting appliances would be about \$15. The \$15, he said, would be spread out on gas bills over a 10-year period.



Progress of Regulation

Commission Has No Power to Interfere With Wage Increase

THE Pennsylvania Superior Court dismissed an appeal from an order of the commission refusing to annul a wage increase granted by a transit company and to replace corporate officers. The commission, said the court, is not the financial manager of the utility and is not a super board of directors. Its sole power is to see that in the matter of rates, service, and facilities the treatment of the public by public utility companies is fair.

The person attacking the wage increase had also sought an advisory opinion from the court which would indicate the desirability for legislative consideration of an amendment to the Public Utility Law.

The court said that merely advisory opinions are not within its province.

He also appealed from the action of the commission in refusing to investigate the method of distribution of reparation slips which were being given to the public as the result of a consent decree in a rate case. It did not appear that the commission was a party to the consent decree or that any duties or obligations were placed upon it by the court. Moreover, the rate case had been terminated. The court said the question of reparation slips was moot, as to which the court would give no opinion. *Meyers v. Pennsylvania Public Utility Commission.*



Customer's Reliance on Rates Not a Bar to Change

THE Massachusetts commission rejected a petition to reduce gas rates, holding that existing rates were fair and reasonable. These rates had been approved about a year ago. They yielded a return of 5.15 per cent of the capital account—namely, par of stock plus premium—but they now yield a return of only 4.37 per cent. The commission did, however, prescribe a new domestic rate schedule modifying the blocks.

Prior to the effective date of the rates under attack, the company offered a special rate for space heating to attract business. This rate, in and of itself, was not particularly conducive to business from 1940 to 1945. After the war, when prices of competitive fuels were released

from government controls and commenced to rise, the gas company started active sales efforts to increase use under this schedule. Continual rises in the price of coal and oil created a considerable customer demand for gas service. These consumers objected to any rate increase on the ground that they were led into an investment in gas-heating apparatus by the company's representations as to the relative cheapness of gas as a fuel.

The commission held that while this was unfortunate it did not constitute an estoppel to hold against the company. No one, it said, can ever be sure that his rates will remain constant, and the utility itself has no power to contract for more than

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a limited period for such service. This objection to the increase was considered to be against the weight of sound policy.

Some years ago the company purchased land to provide for plant expansion.

Now the company has decided to sell it. Evidence indicated that the company can improve its balance sheet measurably by holding the property temporarily pending sale, and that the rate-payers should benefit in the long run. Despite this fact, however, the commission held that since the land is not held for utility use, present or prospective, it

must be ignored in computing capital investment prudently made.

Consumers claimed that the company's coal gas plant was uneconomical, that the company was losing money in its operation, that it should be abandoned, and that the company should be charged with the loss so incurred. The commission held that it had not been shown that managerial discretion had been exercised blindly, wastefully, or with a real disregard for the public welfare in continuing to use the plant. Therefore it did not have power to interfere. *Re Mayor of City of Everett* (DPU 8144).



Submetering of Electricity to Tenants of Trailer Camps

THE Colorado commission has disapproved the practice of owners of trailer camps submetering electricity and reselling it to campers for more than cost. One company filed with the commission a policy relative to supplying service to trailer courts. It provided that the company would, when desired by the owner of a camp, render service directly to each trailer space through individual company-owned meters and bill each meter as a separate customer of the company.

The policy recognized the fact that many trailer camp operators would desire to purchase their entire electric service requirements through master meters, and without resorting to submetering and resale, receive reimbursement by rent inclusion. This is not in violation of company rules and regulations. The choice of master-metered service without submetering or direct service by the company to individual trailers remained optional with the trailer camp owners.

The company would not, under the policy, continue to serve customers persisting in reselling electricity after reasonable notice had been given by the company or the commission to discontinue submetering. The commission believed this policy to be fair and equitable.

Members of the Trailer Camp association had told the commission that submetering developed because they found it impossible to rent trailer space on a

flat rate rental basis, with electric service included in the rent. When this type of rent was charged, the trailer camp occupants would install electric heaters, hot water heaters, stoves, and other electrical appliances, so that most of the rental from the space was being paid by the trailer camp operators for the electric bill.

When a particular user, after being checkmetered, refused to coöperate by reducing his usage or agreeing to an increase in rent, a meter was connected, read monthly, and a bill submitted to the trailer occupant for the electricity used. The trailer camp operators set submeters and did the billing in self-defense to eliminate the unfair practices of the large users and to protect themselves against large bills from the electric company, for which they in turn were not being reimbursed. This submetering was in violation of the company's rules as filed with the commission.

The commission held that the company's rule prohibiting submetering was not discriminatory because it protected both the utility and the customer from a middleman. It pointed out that were the practice of submetering to be permitted and carried to the extreme, the middleman would be deriving income that should accrue to the utility, to such an extent that the utility would be faced with a rate increase at the expense of

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other customers. It would have been losing revenue to a middleman who was not answerable to anyone but himself in setting rates and determining rules of service.

Consequently, the commission held

that submetering as practiced by owners of the trailer camp was in violation of the rules and regulations of the company as filed with the commission and was not in the public interest. *Re Cobb (Case No. 4991, Decision No. 32053).*



Single-point Water Service for Apartment Project Ordered

AN order of the Pennsylvania commission requiring a water company to provide single-point water meter service to an 11-building apartment development was affirmed by the superior court of Pennsylvania. The owner and operator of the project was the consumer which purchased the water.

The eleven buildings, comprising 186 apartments, were erected as a Federal Housing Administration project financed by that agency. All were erected on a single plot of ground. The mortgage under which the project was financed covered the entire plot and all eleven buildings. The project was taxed as a single unit, had a single superintendent, and was supplied with gas and electricity under single-point meter service.

As the buildings were completed, they were supplied with water through individual meters, one to each building. The customer's request for single-point service culminated in an agreement with the water company under which eight of

the eleven buildings were put under single-point service. The other three buildings were to continue on separate meters. In violation of this agreement, the project placed all eleven buildings on a single meter.

The commission was requested to order the water company to provide single-point service to all eleven buildings. It was contended that the apartment project, by taking water for buildings through a single meter contrary to its contract, and by failing to pay undercharges on such water as claimed by the company, barred itself from bringing action to compel single-point service. This contention was rejected, particularly since the undercharges had not been judicially ascertained in amount.

The court held that the apartment development was entitled to such service as a "commercial" consumer of water within the company's tariff. *Philadelphia Suburban Water v. Pennsylvania Pub. Utility Commission, 64 A2d 500.*



Bond Indenture Not to Contain Statement As to Commission Power

THE Securities and Exchange Commission, in authorizing a bond issue, turned down a request by a committee for preferred stockholders for a special clause in the indenture securing the bonds. This clause would be to the effect that the pledge of property under the indenture and all the other terms and conditions are subject to change by action of the commission in the exercise of its powers under § 11 or any other applicable section of the Holding Company Act.

The committee went on to say that it believed such a provision would be declaratory of the commission's inherent powers under the act, but that it should be incorporated into the indenture for purposes of clarification and to obviate possible litigation in the future if the commission should order divestment of properties or otherwise alter the rights of the bondholders.

Bonds were already outstanding under an indenture, and the commission said that the infusion in a supplemental inden-

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ture of such a provision, which was in effect conceded by the committee to be superfluous, would, if interpreted as meaning anything other than a declaration of the commission's inherent power, lead to confusion and might be injurious

to the interests of the utility company.

The commission's order, however, provided that jurisdiction should be reserved. *Re Eastern Gas & Fuel Associates* (File Nos. 70-2039, 54-126, 59-76, Release No. 8914).



More Revenues Needed—Bus Passes Eliminated

THE Missouri commission, in recommending a new rate schedule for a city-wide transportation company, made some interesting observations as to what action should be taken by such a company to obtain additional revenue.

A proposed increase in the company's cash fare was not regarded favorably. The commission pointed out that the company's short-haul riders were subsidizing to an undetermined extent the transportation being rendered to many long-haul passengers. Consequently, a

fare increase to short-haul riders with an attendant falling off of this service might jeopardize the entire system.

The commission approved of the discontinuance of shopper, theater, express, and regular weekly passes. Users of these passes, the commission believed, paid less than their proper share of the utility's expenses of rendering service and, consequently, these tariffs should be the first ones affected by the company's need for additional revenue. *Re St. Louis Pub. Service Co.* (Case No. 11,520).



Reconversion to Trolley Operation Rejected

THE proposal of a transportation company, in financial difficulty and faced with charges of service inadequacies, to return from bus operation to trolley operation was summarily dismissed by the New York commission.

The utility offered, as a partial answer to its alleged overcrowding of busses, to show that the former New York city administration had required a too rapid conversion to motor operation. It expressed the opinion that a return to trolley operation on certain lines would make

more busses available on other lines and relieve congestion.

A transportation system which is largely bus, with minor trolley operation, results in higher costs because of the necessity for maintaining separate maintenance and repair divisions, the commission pointed out. Likewise, the commission concluded, the return to trolley operation, after having converted to busses, is a backward step in modern public transportation. *Re Surface Transp. Corp.* (Case 14133).



Company Permitted to Pledge Reacquired Bonds for Loan and Surety Bond

THE Third Avenue Transit Corporation acquired certain first refunding mortgage bonds which have not been canceled and which continue to be outstanding. The New York commission permitted the company to pledge \$194,000 of these bonds as collateral for a surety bond in connection with a judg-

ment from which the company was appealing. It permitted the company to submit a definite proposal to pledge the balance, amounting to \$1,300,000 of reacquired bonds, for a bank loan.

The New York law requiring commission approval of security issues says that the issue of securities, within the mean-

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ing of the law, shall include the sale of any securities previously issued in compliance with the statute and subsequently reacquired; provided, however, that the commission may exempt securities from the restriction.

Commissioner Mylott, speaking for the commission, said that if the bonds were to be pledged for bank loans under conditions whereby they might ultimately be held by the public, there was no doubt that the provisions of the law applied.

He commented, however, that if the corporation were to require the trustee under the bond indenture to apply moneys realized from the sale of mortgaged property for the purchase and cancellation of reacquired securities, such transactions would not come within

the provisions of the law. It followed that if the corporation desired to offer such bonds to the trustee for cancellation, it would not be necessary to obtain an exemption from the commission.

It was decided that the company might submit a definite proposal indicating that it could obtain a loan of not less than \$500,000 at an interest rate not over 4 per cent and for a period of about nine months by pledging the \$1,300,000 of reacquired bonds. Proceeds from the loan must be placed in a special account in a responsible banking institution and advanced only to a subsidiary for the purpose of making monthly payments on equipment obligations due by that corporation. *Re Third Avenue Transit Corp. (Case 14268).*



Customer Coöperation Necessary for Adequate Service

THE Pennsylvania commission dismissed a complaint that water service was unsatisfactory, inadequate, and contrary to law and commission regulations. It found that the customer dissatisfaction was not solely attributable to the water company. It had been contributed to, in no small degree, by the unwillingness of customers to settle delinquencies, to conform to requirements which are normal to all water utilities, and otherwise to coöperate with the company.

Approximately 240 customers were being served at the time of the hearing and of these over 200 were delinquent in the payment of their accounts. Some customers either refused to pay for service of their own volition or had been advised not to do so. Although most delinquencies

were of long standing, no consumers had been disconnected for nonpayment; the company attempted to improve good will.

The commission held that the company's obligation ends at the curb, except for the meter in the case of metered service. Beyond this point, it said, service connections, house plumbing, and accessories used are the responsibility of the consumer, and service can be no better than these facilities permit. If both the customer and the utility provide adequate facilities, satisfactory service will result, but if either fails to comply with its obligations, the converse is true. The commission believed that the responsibility should be attributable to the derelict. *Wilcox et al. v. Library Water Co., Inc. (Complaint Docket No. 14228).*



Scheduled Cab Service Is Not "Call or Demand"

TAXI service rendered between an airport and a municipality was held by the Pennsylvania Superior Court to constitute an unauthorized scheduled transportation service, and a state commission order terminating the operation was affirmed.

The operation had been made to appear to be within the limits of the taxi company's call-or-demand certificate by an arrangement whereby air lines' representatives placed calls for taxi service at times related to the scheduled arrival and departure of passenger planes. The com-

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mission order brushing aside the fiction of call-or-demand service and calling the operation scheduled service was affirmed.

The fact that the commission had approved a rate schedule for service to and

from the airport did not extend the company's authority to permit the operation of a scheduled service. *Posten Taxi Co. v. Pennsylvania Pub. Utility Commission*, 63 A2d 424.



Cabs Operated by Social Club Need Certificates

THE X-GI Social Club was ordered by the Pennsylvania commission to cease and desist rendering taxi service. A number of the so-called active members of the club were likewise ordered to cease operating, in a move by the commission to enforce its certificate regulations. The club issued inactive membership cards to persons desiring its taxi service. Riders usually paid 25 cents for a membership card and then tipped the driver "whatever they thought the trip was worth." Conflicting evidence indicated that sometimes passengers without membership cards were also carried. Officers of the club testified that there were 22 active members (cab owners and drivers principally) and from 16,000 to 22,000 inactive members (passengers).

Commission investigators testified that several times when riding in X-GI taxis and filling out membership cards, they were told, in response to inquiries about the card, that "this is the way we get around the law."

The social club contended that its service was similar to that rendered by an association of wholesale opticians which the Pennsylvania court had held exempt from commission regulation. The com-

mission disagreed and pointed out that the opticians' service was not made available to the general public but was limited to business firms in the same kind of business requiring special and individual transportation service. A further distinction between the two kinds of service, the commission said, was that the opticians did not pay for the service itself but paid a proportionate share of the expense of maintaining the entire service based upon their use of the service, without profit or compensation to anyone.

The X-GI Social Club's service was clearly open to the public, since anyone could become an inactive member. It was for compensation as well, the commission continued, since the fact that payment for transportation was made in the form of a "tip" did not negative the fact that the service was provided for compensation.

In ordering that the club and its members cease their unauthorized operations, the commission described the inactive membership cards as a subterfuge or deceptive device adopted for the sole purpose of avoiding commission regulation. *Pennsylvania Pub. Utility Commission v. X-GI Social Club (Complaint Docket No. 14521)*.



Other Important Rulings

OBJECTIONS to a transportation company's receiving a rate increase on the ground that its operations, though presently unprofitable, had built up a high surplus during the war were dismissed by the Connecticut commission when the record indicated that the company's present loss was substantial and that the high wartime earnings had gradually been drawn upon to cover post-

war losses. *Re Connecticut Co. (Docket No. 8138)*.

The Indiana commission approved a uniform and nondiscriminatory charge of \$1 per meter per month for gas customers where certain groups of customers were being charged a lower amount which was less than the cost of supplying service to those customers, exclusive of

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any allowance for depreciation and return. *Re Northern Indiana Public Service Co.* (No. 20883).

The Michigan commission, in authorizing a temporary rate increase for a telephone company, recognized the need of the company for a good credit rating so that it might attract capital funds and thereby avoid borrowing and other financing for a large part of its construction program. It believed that the public welfare and the state's economy were tied to adequate expansion and improvement of utility services. *Re Union Teleph. Co.* (T-223-491).

The New York commission held that adequacy of service is a factor to be considered in fixing gas rates, and a company which fails to provide proper and

adequate service cannot expect customers to pay the same rates that would be paid for service adequate in all respects. It was also held that a company cannot make up past deficiencies in its depreciation reserve by charging excessive annual accruals to present customers. *Re Iroquois Gas Co.* (Case No. 13,799).

The Massachusetts commission, in dismissing a complaint against minimum seasonal water rates, held that seasonal customers should be required to carry a fair share of the utility's operating costs, particularly where water is actually used only for a short period during the year, because the company's expenses are made up of certain cost elements which exist whether any water is used or not. *Re Hull Tax Protection Assn.* (DPU 8319).

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Public Utilities Reports (New Series) are published in five bound volumes annually, with an Annual Digest. These Reports contain the cases preprinted in the issues of PUBLIC UTILITIES FORTNIGHTLY, as well as additional cases and digests of cases. The volumes are \$7.50 each; the Annual Digest \$6.00. *Public Utilities Reports* also will subsequently contain in full or abstract form cases referred to in the foregoing pages of "Progress of Regulation."

PUBLIC UTILITIES REPORTS

UTAH PUBLIC SERVICE COMMISSION

Re Salt Lake City Lines, Incorporated

Case No. 3199
February 28, 1949

INVESTIGATION of rates, fares, services, and practices of a bus transportation company; rates adjusted, service improvements required, and dividends restricted.

Return, § 99 — Bus transportation — Return on rate base — Operating ratio.

1. Earnings of a bus transportation utility should be tested both by the ordinary relationships of rate base to rate of return and by the operating ratio test, since the former is not as reliable a gauge in the case of bus transit utilities as in the case of electric, gas, and telephone utilities, and the latter test also has its infirmities, p. 6.

Valuation, § 36 — Rate base — Original cost less depreciation.

2. Original cost of property devoted to public use, less depreciation accrued against such property, was used in arriving at a rate base, p. 7.

Valuation, § 122 — Exclusion of property taxes.

3. The amount of property taxes prorated to a company acquiring transit property at the time of acquisition and capitalized instead of being charged as an expense should be excluded from the rate base even though the taxes were a lien on the property at the time of acquisition, p. 7.

Valuation, § 202 — Busses retired from service.

4. Busses acquired by a transit company from its predecessor but removed from service and offered for sale, while newer type busses have been kept in reserve to meet any reasonably expected contingency, should not be included in the rate base beyond the date of removal from service, p. 7.

Depreciation, § 34 — Reserve adjustment — Property removed from service.

5. The depreciation reserve should be adjusted to compensate for depreciation accrued against busses removed from service and excluded from the rate base although carried on the company's books, p. 7.

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Depreciation, § 31 — Life expectancy of buildings — Property purchased.

6. Structures which had been in service upwards of forty years before acquisition by a transit company should not be depreciated on a 10-year basis but on a 20-year basis, where the evidence indicates that the structures are in good and serviceable condition and that the service life expectancy from the date of acquisition was in excess of twenty years, it appearing further that the company has no intention to replace these buildings at the expiration of a 10-year period, p. 8.

Valuation, § 321 — Intangibles — Purchase instigated by Commission.

7. The unamortized portion of the amount paid to a motor coach company for intangibles in connection with the acquisition of property by a transit company is properly includable in the rate base where the acquisition was largely at the instigation of the Commission and the contract of sale was submitted to the Commission and the purchase price approved, p. 8.

Valuation, § 293 — Working capital — Bus transportation company — Advance collections.

8. No allowance need be made in the rate base of a bus transportation company for cash working capital when all revenues are collected either at the time of rendering service or before service is rendered, particularly where the company's balance sheets show an excess of current liabilities over current assets, p. 8.

Valuation, § 312 — Materials and supplies — Bus company.

9. The average of monthly averages of a bus transportation company's actual investment in materials and supplies should be allowed in the rate base, p. 9.

Valuation, § 224 — Unfinished construction.

10. Unfinished construction should be included in the rate base of a bus transportation company which does not capitalize interest during construction, particularly where all construction was completed and in service before the end of a test period used in the rate case, p. 9.

Revenues, § 2 — Estimate — Test period basis.

11. Actual operating revenues of a bus transportation company for a test period should be used in fixing rates instead of making a downward adjustment to compensate for a downward trend in revenues which it is testified will continue into the future; economic trends and cycles are too uncertain to permit an intelligent forecast on the basis of such evidence, p. 9.

Expenses, § 84 — Payment to affiliate — Limitation to cost of service.

12. Payments by a bus transportation company to a parent company for management services and for accounting, engineering, safety, and other services should be limited, in allowing for operating expenses, to the actual cost of service without any intercorporate profit to the parent company, p. 9.

Depreciation, § 13 — Basis — Busses removed from service.

13. Depreciation against busses after removal from service must be excluded from allowable expenses, p. 10.

Expenses, § 99 — Wage increase — New contract with employees.

14. An upward adjustment in allowable expenses should be made when during a test period for rate making a new wage contract with company em-

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ployees has been executed, since there is nothing conjectural about this increased expense, p. 10.

Expenses, § 77 — Increased material costs.

15. No increased allowance should be made for the cost of materials to compensate for price trends, p. 10.

Expenses, § 114 — Income tax accruals — Test period.

16. An accrual for income taxes to make up a deficiency in taxes for a period preceding a test period should not be taken into consideration in establishing rates, p. 11.

Return, § 99 — Bus transportation company.

17. A somewhat higher rate of return is justified in the case of a bus transit company than in the case of electric, gas, or telephone utilities because its business is subject to greater fluctuations and, unlike other utilities, it makes no minimum charge to customers for its services over a given period, and further the higher operating ratio of a bus transit company will reflect a much greater variation in profit from a given variation in operating revenue, p. 11.

Return, § 99 — Bus transportation company.

18. A return of from 6½ to 7 per cent was held to be fair and reasonable for a bus transportation company, p. 11.

Return, § 99 — Bus transportation — Operating ratio.

19. A bus transportation company can operate safely, from a financial standpoint, where the operating ratio of operating revenues to operating expenses, exclusive of Federal income tax, is 89.7 per cent and the ratio of operating revenues to operating expenses, including Federal income tax, is 93.3 per cent, p. 12.

Service, § 353 — Bus transportation — Individual complaints.

20. Protests against bus transportation service, when related to conditions peculiar to particular lines patronized by witnesses, are not a proper subject for a general order, particularly where most of the complaints will require additional investigation by the Commission's staff, p. 12.

Service, § 353 — Bus transportation — Marking of busses.

21. Some method of marking should be devised and installed on busses to permit persons at the side and the rear of a bus to determine toward which destination the bus is proceeding, p. 12.

Rates, § 130 — Objections to service.

22. The interests of the public would be better served by requiring a bus transportation company to increase its service rather than by ordering a decrease in rates, where complaints are made against overcrowding but acquisition of additional equipment would in itself tend to nullify any excess return, p. 12.

Rates, § 418 — Bus transportation — Tokens for children.

23. The sale of 4 tokens for 15 cents for children was ordered abolished and a straight 5-cent fare for children established, p. 12.

Discrimination, § 123 — Bus transportation — Student rates.

24. A bus transportation company was required to establish a student rate of 4 cents in suburban areas where the straight cash fare was 5 cents, in

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order to correct discrimination existing because present student tickets were good only in the base zone, p. 12.

Service, § 353 — Bus transportation — Sale of student tickets.

25. A bus transportation company was required to permit public schools within the area served to draw blocks of student tickets and to sell the tickets to students eligible to purchase the same, p. 13.

Service, § 353 — Bus transportation — Standing passengers — Line to restrict.

26. On each bus a line should be painted across the floor even with the back of the driver's seat, and no bus should be operated while any passenger is standing in front of the line so drawn, p. 14.

Dividends, § 6 — Restrictions — High debt ratio.

27. A bus transportation company having a high debt ratio and unable to secure debt capital except by securing the endorsement of its paper by its parent company, not subject to Commission jurisdiction, but paying 87 per cent of earnings in dividends while comparable companies were paying 56 per cent, was restricted in the payment of dividends to 56 per cent of earnings until such time as its debt ratio should be reduced to 35 per cent debt to 65 per cent equity, p. 14.

APPEARANCES: Paul H. Ray, S. J. Quinney, and G. C. Aadniessen, for Salt Lake City Lines; Calvin L. Rampton, for Public Service Commission; L. E. Elggren and N. A. Jensen, for Consumers Welfare League and for the public; Ben G. Bagley, for Midvale City and Sandy City; Wendell C. Day, for Murray City Corporation; A. C. Melville, for East Mill Creek Lions Club; Harold N. Wilkinson and Delos L. Daines, for Citizens of the southeast section of Salt Lake City.

By the COMMISSION: On the 14th day of November, 1947, a complaint was filed with the Commission by a group of citizens associated together under the name of the Consumers' Welfare League of Utah protesting the rates, fares, and tariffs, services and practices of Salt Lake City Lines, Inc.

Salt Lake City Lines on the 9th day of September, 1948, filed passenger tariff No. 3, establishing a new fare structure which would materially increase the revenue of the company and

on September 20, 1948, filed an answer to the complaint mentioned above.

On the 22nd day of October, 1948, a protest and cross petition to the answer and the proposed schedule of Salt Lake City Lines, was filed by Murray City Corporation, Midvale City Corporation, and Sandy City Corporation. On the 14th day of September, 1948, the Commission issued an order suspending the tariff filed by Salt Lake City Lines, as mentioned above and set the complaint of the Consumers' Welfare League of Utah and the answer of Salt Lake City Lines, for hearing on the 25th day of October, 1948.

Hearing was commenced on October, 25, 1948, and concluded on November 2, 1948. The Commission, having heard the evidence of those witnesses presenting themselves to offer testimony regarding matters at issue in the hearing and having been fully advised in the matter, hereby makes the following findings and report.

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History of the Company

Salt Lake City Lines is a corporation organized under and existing by virtue of the laws of the state of Utah. On the 13th day of July, 1944, 55 PUR NS 202, this company acquired the properties of the Utah Light and Traction Company, which had theretofore operated the street transportation system in Salt Lake City, Utah, and vicinity. The consideration paid for this property was \$675,000 in addition to which payment the Salt Lake City Lines, agreed to assume the obligation of its predecessor to repair certain streets in Salt Lake City from which car tracks were being removed. The cost of these repairs was estimated at \$250,000 and actually cost within approximately \$6,000 of that amount.

At the time it acquired the properties of Utah Light and Traction Company Salt Lake City Lines, except for qualifying shares, was a wholly owned subsidiary of Pacific City Lines, Inc., a corporation which owned and operated a number of city transportation systems in the western part of the United States.

During the year 1946 the stock of Pacific City Lines, Inc. was purchased by National City Lines, Inc., a corporation which owned entirely a number of city transportation companies throughout the United States and had sizable holdings of stock in various other city transportation systems. During 1947, Pacific City Lines, Inc. was dissolved and stock of Salt Lake City Lines was transferred to National City Lines, Inc.

On the first day of January, 1948, a new corporation also known as Pacific City Lines was organized. This corporation is a wholly owned

subsidiary of National City Lines, but rather than hold stock for National City Lines as the former Pacific City Lines has done, it merely served as a management company for certain subsidiaries of National City Lines located in the Western States.

At the time Salt Lake City Lines acquired the transportation properties in Salt Lake City and vicinity, the system consisted partly of trolley cars, partly of trolley coaches, and partly of motor busses. At the present time the company has retired all of its trolley cars and trolley coaches and has removed the tracks from the streets and the trolley wire from overhead throughout the area which it serves. It has also retired from service all of the motor busses which it acquired from Utah Light and Traction Company and has replaced them with newer and larger vehicles. The company has undertaken an extensive program of remodeling and modernizing the garages and offices of the company.

During the year 1946, the company purchased the property and acquired the operating rights of Airway Motor Coach Lines, Inc., which has been rendering public transportation service to the suburban area south of Salt Lake City. The area formerly served by Airway and the area formerly served by Utah Light and Traction Company are now served by a single integrated system under Salt Lake City Lines.

The rate structure presently in effect is substantially the same as that which was in effect under the operation of Utah Light and Traction Company at the time Salt Lake City Lines acquired the property. The cash fare is 10 cents; tokens may be purchased

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on busses at the rate of 3 for 25 cents, or, if purchased at the office of the company, at the rate of 13 for one dollar. Weekly passes, good anywhere in the base zone and entitling the holder thereof to an unlimited number of rides for the week for which purchased, sell for \$1.25. Student tickets, good for university, high school, and elementary students, are 50 for \$2; children's tokens are 4 for 15 cents. Suburban fares are based upon a schedule varying according to the length of the ride. Books of tickets can be purchased by suburban riders which materially reduces the cost of the ride.

Since acquiring the Airways property the company has made the transfer privilege available to persons riding from the area formerly served by Airways where such persons pay the cash fare.

Operating under this schedule of rates the company has experienced a very favorable earnings record during the time it has operated the property. Its net operating income up until January 1, 1948, was as follows:

July 13, 1944-December 31, 1944 ..	\$22,564.68
1945	68,714.57
1946	310,404.62
1947	233,621.75

The company paid dividends on its \$10 par value common stock at the following times and in the following amounts:

1945	\$.25 per share
1946	4.00 " "
1947	2.90 " "
June, 1948 .....	.70 " "

The plant account of the company has been expanded rapidly. On July 13, 1944, *supra*, when the company commenced operation, the book value of the carrier operating property be-

fore deduction of allowance for depreciation was \$895,000. As of December 31, 1947, this same figure was \$2,502,511.29.

The Test Period

The latest date for which complete figures on the operation of the company were available at the time the hearing was commenced was August 31, 1948. The exhibits of the Commission's staff cover the company operations for the twelve-months' period ended August 31, 1948. Many of the company's exhibits also relate to this period. In view of the fact that the Commission desires to adopt an annual period on which to test the operations of the company to allow for seasonal variations, the twelve-months' period ended August 31, 1948, is accepted and adopted by the Commission as the test period in this proceeding.

Base Rate

[1] The Commission is cognizant of the fact that the ordinary rate base-rate of return approach to allowable earnings is not as reliable a gauge in the case of bus transit utilities as it is in the case of electric, gas, and telephone utilities for the reason that the revenues and expenses are both relatively high in the bus transportation field as measured against the plant accounts of the companies concerned. A number of states as well as the Interstate Commerce Commission test bus transportation earnings on the basis of an operating ratio rather than on the basis of a rate base-rate of return ratio. The operating ratio test also has its infirmities, however, and it is therefore the intention of the Commission to test the earnings of

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Salt Lake City Lines on both bases in order to be doubly sure that a fare structure is established which is fair both to the riding public and to the company rendering service.

[2] In arriving at a rate base the Commission adopts the formula that it has adhered to in other cases of accepting the original cost of the property devoted to the public use less the depreciation accrued against such property. As the books of the company accurately reflect the investment of the company on this basis, it is possible for us to use the actual book figures subject, however, to certain adjustments which it appears must be made.

[3] The first adjustment which it appears is justified by the evidence is the removal from the rate base of the sum of \$11,286.52, which represents property taxes which were capitalized rather than charged as expense. At the time Salt Lake City Lines acquired the property from Utah Light and Traction Company it was agreed that taxes for the year 1944, the year during which the acquisition was made, should be prorated between the buyer and the seller according to the date upon which transfer was made. The amount thus prorated to Salt Lake City Lines was \$11,275.88. A similar situation prevails in regard to the purchase of a piece of real property during 1946 where the taxes assumed by Salt Lake City Lines amounted to \$10.64. The company took the position that inasmuch as taxes become due on the first day of the year, the amount of the taxes which they assumed were a lien on the property and, therefore, should be charged in with the purchase price of the property. This

does not appear to be a logical approach to the problem. It is required by the system of accounts in effect for this class of public utility that taxes be accrued on the books of the company during the year in which such taxes are paid. Had the transfer of title not been made and had Utah Light and Traction Company continued to operate throughout 1944, it cannot be questioned but that the taxes for the entire year 1944 would have been an expense item and would not have been capitalized. This situation should not be altered by the fact that a new company acquired title to the property where such new company continued to use the property in the public service exactly as its predecessor had done.

[4, 5] The second adjustment which must be made in the rate base relates to 18 busses which were the remnant of the fleet acquired by Salt Lake City Lines from its predecessor. These 18 busses were still carried on the company's books as of the end of the test period. The evidence, however, reveals that these busses were not actually used in the operation of the company during the entire test period, some of them being removed from service as early as February and the last of them being removed from service during April. The company witnesses maintained that these busses should be included in the rate base because they were still on hand and could be used during an emergency. The evidence indicates, however, that as quickly as removed from service the busses were offered for sale and could have been purchased by anyone desiring to do so. Furthermore, it appears that these busses were not considered by the company as standby

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equipment as the company kept in reserve a sufficient number of the newer type busses to meet any reasonably expectable contingency. It is, therefore, the finding of the Commission that these busses should not be included in the rate base beyond the date when they were removed from service. A corresponding adjustment, of course, will have to be made in the depreciation reserve to compensate for depreciation accrued against these busses since their removal from service.

[6] An upward adjustment of the rate base is required by an adjustment which the Commission proposes to make in the depreciation practices of the company in regard to its structures. Most of the structures which the company acquired from Utah Light and Traction Company had been in service upwards of forty years at the time Salt Lake City Line acquired them. Salt Lake City Lines has been depreciating these structures on a 10-year basis. The evidence indicates, however, that the structures although rather old are in good and serviceable condition and that the service life expectancy of these buildings from the date of acquisition by Salt Lake City Lines was in excess of twenty years. There is no evidence in the record to indicate an intention on the part of the company to replace these buildings at the expiration of a 10-year period. The Commission, therefore, finds that these structures should be depreciated on a 20-year basis rather than on a 10-year basis. In reaching a determination of a rate base, the depreciation reserve, must, therefore, be decreased consistent with such finding.

[7] The Commission's staff recom-

mended that there be removed from the rate base a sum of \$17,638, which represented an amount paid for intangibles by Salt Lake City Lines to the Airway Motor Coach Lines, Inc. at the time Salt Lake City Lines acquired that property. In a number of cases in the past this Commission has refused to allow in rate base an amount paid for intangibles when one utility acquired the property of another, it being a policy of the Commission to allow in a rate base only the cost of the property to the first company which devoted it to the public service. A different situation prevails in this case, however. It was very largely at the instigation of the Commission that the Salt Lake City Lines acquired the Airway property. The contract of sale was submitted to the Commission and the purchase price was approved. To refuse to allow the company any credit for such an expenditure would appear to be unjust and inequitable. The company has been amortizing this figure, however, so the amount is now somewhat less than the original amount mentioned above. The Commission finds that the unamortized portion of the amount paid to Airway for intangibles is properly includable in the rate base.

[8] We find that no allowance need be made in the rate base for cash working capital. A cash working capital allowance is usually made in those cases where there is a lag between the time expenses must be paid and the time that revenues are collected. Salt Lake City Lines collects all of its revenues either at the time of rendering the service or before the time such service is rendered. Furthermore, the company's balance sheets at Decem-

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ber 31, 1947, and at August 31, 1948, show an excess of current liabilities over current assets, thus indicating that the company's creditors were furnishing the actual working capital of the company at those dates.

[9, 10] We find, however, that an allowance should be made in the rate base for materials and supplies. We think it fair and equitable to allow the average of the monthly averages of the company's actual investment in ma-

terials and supplies. This figure is \$116,989. We will also include unfinished construction in the rate base for the reason that the company does not capitalize interest during construction, and for the further reason that all of the construction was completed and in service before the end of the test period.

Our findings as to a rate base are summarized in the following figures:

Tangible property (average of monthly averages)	\$2,368,384
Less: Reserve for depreciation (average of monthly averages)	601,065
Net tangible property	\$1,767,319
Intangible property:	
Organization	\$4,156
Franchises	225
Other intangible property	17,638
	22,019
Less: Reserve for amortization (average)	2,054
Unfinished construction (average of monthly averages)	39,901
Materials and supplies (average of monthly averages)	116,989
Rate base	\$1,944,174

Operations for Test Period

[11] The evidence establishes that the total operating revenue of the company during the test period was \$2,428,628.80. The company proposes to adjust this figure downward some 5 per cent to compensate for a downward trend in revenues which company witnesses testified would, in their opinion, continue into the future. It appears that this is too conjectural a matter for the Commission to use as a basis for a finding. Economic trends and cycles are too uncertain to permit an intelligent forecast on the basis of the evidence presented at the hearing. The Commission, therefore finds that for the purpose of this hearing the actual operating revenues of the company for the test period should be used.

In the matter of expenses, however, certain adjustments, some upward and some downward, will have to be made in the company book figures. These adjustments will be made not on the basis of trends or estimates, but on the basis of actual known and established figures.

[12] The first adjustment which the Commission makes relates to the service fee which is paid by Salt Lake City Lines to Pacific City Lines. As pointed out above both Salt Lake City Lines and Pacific City Lines are wholly owned subsidiaries of National City Lines. Pacific City Lines manages Salt Lake City Lines and a number of other companies for National City Lines and in addition to management services Pacific City Lines renders certain accounting service and engineer-

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ing, safety and other services to these subsidiaries. For this service the subsidiaries pay to Pacific City Lines a fee based upon operating revenues as follows: 5 per cent of the first \$50,000 of revenue each month, 3 per cent of the next \$50,000 operating revenue per month, and one per cent of the balance of the operating revenue per month. The evidence indicates that the amount thus collected by Pacific City Lines for the service so rendered is considerably in excess of the cost of rendering such service. During the test period the amount received by Pacific City Lines from subsidiaries of National City Lines, Inc. in the form of fees was \$343,463.12. The cost to the Pacific City Lines of rendering this service was only \$175,074.74. The Commission finds that the services rendered to the Salt Lake City Lines by the Pacific City Lines are valuable but that the Pacific City Lines, in view of the corporate relationship between the companies, should not be permitted to make a profit on this service. Any amount paid by Salt Lake City Lines to Pacific City Lines for this service over and above the cost of rendering the service is in reality an intercorporate profit paid to the parent company in addition to dividends. The Commission, therefore finds, that while the actual cost of the service is a proper expense chargeable against the subsidiaries no allowance should be made to the Salt Lake City Lines for any amount paid to Pacific City Lines over and above the actual cost of rendering the service. As stated above, the actual cost to Pacific City Lines of rendering service to all of the subsidiaries of National City Lines which it manages was \$175,074.74.

It is not easy to make an accurate allocation of this figure between the various subsidiaries. Although the operating revenue method employed by the company appears rather arbitrary, the Commission has been unable to devise any system which appears more equitable.

According to the records of Pacific City Lines, Salt Lake City Lines on the basis used by the company paid 17.5495 per cent of the total amount paid to Pacific City Lines for management service during the test period. The Commission, therefore, finds that 17.5495 per cent of the actual cost to Pacific City Lines of rendering this management service to subsidiaries of National City Lines is chargeable as expenses against Salt Lake City Lines. This amounts to \$30,724.74 as against \$60,275.79 actually paid. For purposes of this hearing, therefore, the expense figures of the company must be adjusted downward in the amount of \$29,551.05.

[13] The second downward adjustment of expenses relates to depreciation. The question of depreciation on structures has already been discussed. The Commission, therefore, makes a downward adjustment in actual book figures of the company to show depreciation of structures on a 20-year basis. Depreciation charges against the 18 busses mentioned above for the period after they were removed from service must also be deducted from allowable expenses for the purpose of this finding. The total adjustment on these two depreciation items is \$16,786.40.

[14, 15] As against these downward adjustments of allowable expenses the evidence justifies an upward adjustment in the matter of wages. A new

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wage contract with its employees was executed by the company during the test period to take effect as of September 1, 1948. There is nothing conjectural about this increased expense. Although the amount cannot be determined with mathematical exactness, the estimate of the company witnesses was that the increases as reflected back against the test period would amount to \$86,000. The Commission finds that the allowable expenses of the company for the test period should be adjusted to allow for this known increase. The contention of the company witnesses that an upward adjustment in the cost of materials should be made to compensate for price trends is without merit for the reasons discussed heretofore in regard to the effect of revenue trend.

[16] A third downward adjustment in expenses made by the Commission for purposes of this proceeding relates to income tax accruals. There was accrued by the company during the test period \$40,000 to make up a deficiency in taxes for a preceding period. Inasmuch as this accrual did not in any way relate to the earnings of the company during the test period, it should not be taken into consideration in establishing rates.

At the time the property was acquired from Utah Light and Traction Company an amount was set up on the books as a reserve for obsolescence of materials and supplies. This reserve was not entirely used up. During the test period the balance in the reserve became subject to Federal income tax in the amount of \$8,737.08. The Commission finds that this also relates to a period prior to the test period and, therefore, should not be taken into con-

sideration in fixing rates. The evidence also reveals that there was an overaccrual of income taxes on current income during the test period in the amount of \$1,335.15. After taking into consideration the adjustments above made the net downward adjustment in allowable income tax expense is \$65,143.63.

Applying the adjustments thus made the Commission finds that the allowable expenses for the test period as chargeable against the actual income as set forth above are \$2,267,736.

Rate of Return

[17, 18] The evidence indicates that a somewhat higher rate of return is justified in the case of a bus transit company than in the case of electric, gas, or telephone utilities. This is due in part to the fact that the business of a bus transit company is subject to greater fluctuation than other utilities. Unlike other utilities it makes no minimum charge to its customers for its service over a given period. Furthermore the higher operating ratio of a bus transit company will reflect a much greater variation in profit from a given variation in operating revenue. The witness called by the Commission staff reached the conclusion that a rate of return of from 6½ to 7 per cent is justified in the case of Salt Lake City Lines. Company witness contended for an 8 per cent to 10 per cent rate of return. The Commission finds that a return of from 6½ to 7 per cent is fair and reasonable. Using the rate base above found and the operating figures as adjusted, the excess revenue of the company during the test period would amount to \$55,681 at 6.50 per cent,

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\$47,840 at 6.75 per cent, and \$40,002 at 7 per cent.

Operating Ratio

[19] As heretofore stated some state Commissions and the Interstate Commerce Commission have in the case of motor carriers made use of an operating ratio test of earnings.

The operating ratio of Salt Lake City Lines during the test period, on the basis of the adjusted operating expense and tax figures discussed above, would be as follows:

Operating revenues	\$2,430,667
Operating expenses (exclusive of Federal income tax)	\$2,180,311
Operating ratio	89.7%
Operating expenses (including Federal income tax)	\$2,267,736
Operating ratio	93.3%

It appears to the Commission that the company can operate safely from a financial standpoint under the above operating ratios.

Service of the Company

[20] During the course of the hearing approximately thirty-five witnesses appeared before the Commission to protest certain aspects of the company's service. Many of the protests related to conditions peculiar to the particular lines patronized by the witness testifying. An adjustment of these matters is not considered by the Commission to be a proper subject for a general order of this type. Furthermore, most of these complaints will require additional investigation by the Commission staff. The Commission finds that these investigations should be conducted and remedial action taken within thirty days from the date of this order. If an agreement as to proper remedial action is not reached by the

Commission staff and the company within thirty days after this order, the Commission will issue a supplemental order or orders to carry into effect whatever appears to be a proper solution of the particular problem involved.

[21] There are, however, certain objections raised by the public witnesses which are rather general in their nature and with which the Commission proposes to deal in this order. A rather general objection was raised to the fact that busses operating on a given line do not always operate to the same terminal on the line. While the destination of each bus is clearly marked on the front of the bus, no markings, except the route number, appear on the side or rear of the bus. Therefore, a person observing the bus from the side or rear, while being able to tell the particular line upon which the bus is operating, is unable to determine to which of the terminals on such line the bus is proceeding. The Commission finds that some method of marking should be devised and installed on busses to permit a person at the side and the rear of such bus to determine toward which destination such bus is proceeding.

[22-24] The most common objection to the service raised by the public witnesses, however, was as to over-crowding of busses, especially during the hours of peak load. The evidence indicates that while this condition is most aggravated on certain routes, it is at certain times of the day general throughout the system. Testimony by company witnesses indicates that all of the busses which the company owns except those which it must keep on hand as a standby against emergencies are utilized during the period of peak

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traffic. It may be that the condition can be alleviated to some extent by a different distribution of the equipment available. However, the Commission finds that in order to properly solve the problem it will be necessary for the company to procure and place in service additional equipment.

At this point it becomes necessary for the Commission to determine whether it is to the best interest of the public to reduce the rates to bring the earnings of the company down to a minimum fair return or to allow the company to continue its present rates even though more than a fair return is realized and at the same time order the company to increase the service to its present customers.

It is obvious that if the company is ordered to buy and operate additional equipment this will in itself tend to nullify any excess return. In the first place, if additional busses are placed on crowded lines in order to relieve the overcrowded conditions, operation of the extra busses will constitute an expense to the company while the revenue will not be materially increased. Furthermore, any additional investment in plant account will entitle the company to a greater dollar and cent return. The Commission finds that the interests of the public will be better served by requiring the company to increase its service rather than by ordering a decrease in rates. The Commission therefore finds that the presently existing rates should be allowed to continue in operation with two exceptions. First the sale of 4 for 15 cents tokens for children should be abolished and a straight 5-cent fare for children should be established, and secondly, a student rate of 4 cents

should be established in those suburban areas where the straight cash fare is 5 cents.

The evidence indicates that while 4 for 15 cents tokens for children are used to some extent, as a matter of fact most children at the present time pay a 5-cent fare although this fare is not recognized by existing tariffs. It is, therefore, the finding of the Commission that this change in the fare structure is justified as a method of simplification and also in order to legalize a system which the public has already adopted as practical. The extension of the student rates to suburban areas appears to be necessary to correct the discrimination which now exists in that at present student tickets are good only in the base zone.

[25] The Commission further finds that the following changes should be made in the service of the company: first, public schools within the area served by Salt Lake City Lines should be permitted to draw blocks of students' tickets and to sell the tickets to those students who are eligible to purchase the same. Schools wishing to avail themselves with this privilege should appoint an agent who should supply bond to draw, sell and account for such tickets; secondly, a study should be made and a report thereof submitted to the Commission within thirty days by the company in conjunction with the members of the Commission staff, making recommendations as to the reduction of headway during the rush hours on lines where overcrowding is prevalent, together with a recommendation as to the additional number of busses required to cut the headway as recommended. The company should be ordered to secure the addi-

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tional equipment found necessary as quickly as practicable.

[26] In the interest of safety, the Commission finds that on each bus operated by the Salt Lake City Lines a line should be painted across the floor even with the back of the driver's seat and that no bus should be operated while carrying passengers while any passenger is standing in front of the line so drawn.

Financial Structure of the Company

[27] The evidence indicates that since it commenced operation, July 13, 1944, the company has paid a total of \$569,125 in dividends, leaving in surplus as of August 31, 1948, only \$144,212.33. It is the finding of the Commission that in view of the need for expansion of facilities the company has drawn off in dividends too great a portion of its earnings. As of December 31, 1947, the company was financed 47 per cent by equity capital and 53 per cent by debt capital. This is a much higher debt ratio than is present in comparable companies for which figures were introduced in evidence. Definite danger exists in this situation. If, as the company maintains, it is able to secure debt capital only by securing the endorsement of its paper by the parent company the subsidiaries are wholly at the mercy of the parent so far as securing additional capital is concerned. As the parent is not subject to the jurisdiction of this Commission, this Commission is thus unable to fully exercise supervision over the expansion of Salt Lake City Lines. If the company enjoyed a higher ratio of equity capital, it would be more independent from the parent company in that it would have available more

equity funds and in that lenders would be more willing to extend credit to the company without the guaranty of the parent company. The evidence indicates that the amount of earnings paid out in dividends by comparable companies for which figures were introduced in evidence was 56 per cent, whereas, the figure for Salt Lake City Lines was 87 per cent. The Commission finds that Salt Lake City Lines should be restricted in the future in the payment of dividends to 56 per cent of its earnings subsequent to August 31, 1948, until such time as its debt ratio is reduced to 35 per cent debt to 65 per cent equity.

Based on the foregoing findings the Commission hereby *orders*:

(1) That the present rate structure of Salt Lake City Lines be continued in effect except (a) that the sale of children's tokens at the rate of 4 for 15 cents shall be abolished and a flat 5-cent rate for children be established, and (b) student tickets shall be sold at the rate of books of 50 tickets for \$2 for use in those areas outside the base zone where the cash fare is 5 cents. The company is ordered to file amended tariffs effective on one day's notice to effect this change.

(2) The company in conjunction with the Commission staff shall make an investigation of the overcrowded conditions on company busses and within thirty days submit to the Commission a report showing (a) the recommended reduction in headway on lines to correct such overcrowded conditions and (b) the additional number of busses necessary to effect such reduction in headway. Upon the approval of such finding by this Commission, the company is ordered immedi-

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ately to take the necessary steps to procure such additional equipment.

(3) The Commission staff is ordered to make a complete investigation of the various complaints made by public witnesses at the hearing, and to discuss with representatives of the company means of remedying the conditions complained of. Upon the expiration of thirty days from the date of this order the Commission staff shall report to the Commission any matter upon which an agreement has not been reached as to correction and the Commission shall issue orders accordingly.

(4) The company is ordered to devise and place in operation means whereby the destination of each bus as

well as the route on which it is operating may be determined from the sides and rear of the bus.

(5) Lines shall be painted on the floor of all busses even with the back of the driver's seat and no bus shall be operated while a passenger is standing in front of such line.

(6) The company shall not pay out in dividends in the future in excess of 56 per cent of the earnings of the company subsequent to August 31, 1948, until such time as the debt ratio of the company is reduced to 35 per cent debt to 65 per cent common stock and surplus.

(7) The sale of student tickets shall be handled according to the method outlined in the finding.

UNITED STATES DISTRICT COURT, DISTRICT OF DELAWARE

Re The United Corporation

Civil No. 1146
82 F Supp 196
January 31, 1949

APPPLICATION for approval of plan for retirement of preference stock under § 11 of the Holding Company Act; granted. For Commission decision, see (1948) 76 PUR NS 462 and for order approving amended plan, see (1948) 76 PUR NS 493.

Corporations, § 22 — Recapitalization plan — Exchange of stock — Value of rights surrendered.

1. An appraisal of a proposed package of securities which preference stockholders are to receive as the equitable equivalent of rights surrendered in a plan under § 11 of the Holding Company Act, 15 USCA § 79k, properly gives primary consideration to comparative prospective earnings coverage and dividends; and it is not necessary to fix a specific value in dollars for the preference stock or the package, nor is it necessary to measure the adequacy of the proposed package by an exact comparison of the market value of the package securities with the market value of the preference stock or with its liquidation or redemption price, although consideration is given to all of these factors, p. 17.

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Corporations, § 22 — Plan under Holding Company Act — Exchange of stock — Fairness of plan.

2. A plan under § 11 of the Holding Company Act, 15 USCA § 79k, providing for an exchange of preference stock for a package of securities is fair and equitable to common stockholders when earnings and assets applicable to common stock will be approximately the same or better, the quality of income applicable to common stock will be improved, and the plan will facilitate the possible resumption of dividends and distribution of portfolio securities to common stockholders, p. 17.

Corporations, § 22 — Reorganization — Preference between plans — Management and stockholders.

3. The Securities and Exchange Commission should not reject a holding company's plan for compliance with § 11 of the Holding Company Act, 15 USCA § 79k, and adopt a plan proposed by a stockholder unless the latter is so clearly superior as to persuade the Commission that the company plan is unfair and inequitable, or otherwise deficient under the act, p. 17.

Corporations, § 22 — Reorganization plan — Exchange of securities instead of cash.

4. A plan providing for an exchange of preference stock for a package of securities, in furtherance of plans for retirement of preference stocks under § 11 of the Holding Company Act, 15 USCA § 79k, is not objectionable on the ground that preference shareholders should receive cash in exchange for their securities, since such a plan for paying off securities may provide for payment in cash or in securities, p. 19.

Corporations, § 22 — Reorganization plan — Effect of stock purchases by officers.

5. A plan for retirement of preference stock in a holding company by an exchange of such stock for a package of securities should not be disapproved on the ground that directors have purchased shares of common stock while proceedings were pending, when after scrutiny of the plan, with the possibility of management favoring one class of stock in mind, the plan on the basis of the entire record is found to be fair and equitable, p. 20.

APPEARANCES: Harry G. Slater, Herbert D. Miller, William R. Nowlin, and Robert Olson, all of Washington, D. C., for the Securities and Exchange Commission; William S. Potter (of Southerland, Berl & Potter), of Wilmington, Del., and Richard J. Smith and William T. Farley (of Whitman, Ransom, Coulson & Goetz), both of New York city, for the United Corporation; Louis Boehm and Seymour M. Heilbron (of Hays, St. John, Abramson & Schulman), both of New York city, for committee of holders of \$3 cumulative preferred stock; Ernest Mahler (of O'Brien, Driscoll, Raftery & Lawler), of New

York city, for \$3 cumulative preferred stock held by Schiff and others; John H. Jackson, of New York city, for Waterman Corporation and other preference stockholders; Randolph Phillips, Common Stockholder, pro se.; Joseph B. Hyman, of Alexandria, Va., for Randolph Phillips as Attorney in Fact.

LEAHY, CJ.: The United Corporation's present plan under § 11 of the Public Utility Holding Company Act, 15 USCA § 79k, results in the retirement of all of its preference stock. The SEC approved the plan which provides for an exchange of each share of Unit-

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ed's preference stock for the following package of securities:

1 share of Public Service Electric and Gas Company common stock

1 share of the Columbia Gas System, Inc. common stock

$\frac{3}{10}$ of a share of the Cincinnati Gas & Electric Company Common Stock.

\$6 in cash.¹

The organization, capitalization, assets, liabilities, the income from investments, United's former compliances with § 11, the various former exchange plans, the purchase of its preference stock in the market, and the sale of securities to create cash to implement compliance, are detailed in former proceedings.²

[1-3] I approve the plan because I agree with the essential findings and opinion of the SEC. These findings are:

I. The reasonably foreseeable earnings and dividends on the package are as follows (findings and opinion, 76 PUR NS at p. 480):

Shares	Earnings Range	Dividend Range
3/10 Cincinnati	\$.54 — \$.78	\$.42 — \$.54
1 Columbia	1.35 — 1.45	.75 — .90
1 PEG	2.04 — 2.96	1.60 — 1.80
\$6 cash at 6%	.36 — .36	.36 — .36
	\$4.29	\$5.55
	\$3.13	\$3.60

II. ". . . in measuring the rights which preference stockholders will receive under the plan to determine whether they are the equitable equivalent of the rights being surrendered, we have not attempted nor is it necessary to fix a specific value in dollars for

¹ Cash will be paid in lieu of issuing fractional shares of Cincinnati stock under the exchange.

² See Re The United Corp. (1942) 11 SEC 67, 43 PUR NS 235; (1943) 13 SEC 854, 50 PUR NS 212; Holding Company Act Release

the preference stock or the package. Nor have we sought to measure the adequacy of the proposed package by an exact comparison of the market value of the package securities with the market value of the preference stock or with its liquidation value or redemption price. Although we have given consideration to all of these factors, our appraisal of the proposed package has given primary consideration to the extent and quality of the prospective earnings coverage for and dividends applicable to the preference stock in relation to the prospective earnings and dividends applicable to the proposed package." Findings and opinion, p. 482.

"Upon a full consideration of the record, we have concluded that the reasonably foreseeable earnings and dividends applicable to the package adequately compensate the preference stockholders for all the rights which they are required to surrender. In finding that the proposal falls within the range of fairness and equity, we recognize that our conclusion is not one which can be arrived at with mathematical precision, but that rather it is a type of judgment which necessarily encompasses a permissible range" (findings and opinion, p. 482).

III. "The record shows, and it undisputed, that, since the early 1930's and until 1947, United's preference stock was of inferior grade." Findings and opinion, p. 480.

"The previous retirement of preference stock pursuant to § 11 (e) plans,

No. 5440, Nov. 24, 1944; Holding Company Act Release Nos. 5812, May 22, 1945; 5859, June 9, 1945; 5452, Nov. 29, 1944; Holding Company Act Release No. 6331, Dec. 26, 1945; Holding Company Act Release No. 6836, Aug. 9, 1946.

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earlier referred to, has improved the position not only of the remaining preference stock but also of the common stock" (findings and opinion, p. 485).

IV. ". . . the earnings and assets applicable to the common stock after consummation of the plan will be approximately the same as or better than before the plan, the quality of the income applicable to the common stock will be improved as a result of the elimination of the preference stock, and the plan will facilitate the possible resumption of dividends and the distribution of portfolio securities to the common stockholders. We find that the plan is fair and equitable to the common stockholders, and we adopt the staff's proposed findings in this respect." Findings and opinion, p. 487.

V. "To give effect to the congressional intent that company managements be given latitude in working out their own solutions to § 11 problems, we should not reject United's plan and adopt Phillips' plan unless the latter is so clearly superior as to persuade us that United's plan is unfair and inequitable, or otherwise deficient under the act.

"Accordingly, we have analyzed Phillips' plan with this end in view. For the reasons set forth in the staff's recommended findings and opinion at pages 44 and 45, which we adopt, we cannot find that it is so clearly superior to the management plan as to demonstrate that United's plan fails to meet the standards of § 11." Findings and opinion, p. 490.

³ *Otis & Co. v. Securities and Exchange Commission* (1945) 323 US 624, 89 L ed 511, 57 PUR NS 65, 65 S Ct 483; *Re Engineers Pub. Service Co.* (1948) 75 PUR NS 193, 168 F2d 722; *Lahti v. New England Power Assn.* (1947) 69 PUR NS 436, 160 F2d 845,

The Staff's reasons for recommending rejection of the Phillips' plan, which appear on pages 44 and 45 of its recommended findings and opinion, were: "it gives no adequate assurance of being carried out with reasonable promptness, if at all"; "It . . . would involve substantial and unnecessary expenses"; "the market would probably be flooded with warrants and it is doubtful if the stockholders who chose to sell their warrants would be able to realize their full value"; Phillips' claims are based on invalid comparisons because they "discard completely . . . the likelihood that United will receive dividend income from its investments in Niagara Hudson"; "Phillips' claim, that his plan would minimize the chance of litigation, is entirely without merit."

The detailed analysis of the record, as set forth in the findings and opinion recommended by the staff and adopted by the Commission, and summarized in the findings and opinion of the Commission, wholly supports and justifies the essential findings above summarized.

The SEC's approval of the plan at bar obviously meets the criteria of fairness under the act. On the basis of reasonably foreseeable earnings, comparison of the value of the securities to be exchanged under the plan for the securities to be received, the preference shareholders are receiving their equitable equivalents.³ In reaching this conclusion, I have considered the market history of the preference shares,⁴ the effect of the charter pro-

851; *Re Engineers Pub. Service Co.* (1947) 70 PUR NS 350, 71 F Supp 797; *Re Illinois Power Co.* (1947) 72 PUR NS 510, 74 F Supp 317.

⁴ *Re Engineers Pub. Service Co.* (1947) 70 PUR NS 350, 71 F Supp 797.

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visions of United,⁵ as well as the redemption rights of those shares,⁶ and as well as the relative hardships resulting to any class or classes of security holders in the effort to comply with the mandates of the act.⁷

Randolph Phillips, owning and representing common stock, is one of the most potent objectors to the plan. In fact, he offered his own plan. But the SEC and its Public Utilities Division staff analyzed that plan and concluded, rightly I think, it was neither fair nor feasible. Moreover, it was concluded, rightly again I think, United's plan should not be rejected unless the proposed Phillips' plan was so palpably superior as to compel the ineluctable conclusion that United's plan was unfair. A plan under § 11 need not be the only plan which will effect compliance with the act and the choice of

any plan rests primarily with the subject company.⁸

[4] Likewise another objection is without merit, e. g., the preference shareholders should receive cash in exchange for their securities. A plan under the act for paying off securities may provide for payment in cash⁹ or in securities.¹⁰ Other objections have been considered including the profert that changed conditions call for a re-examination of the plan by the SEC. But from developments since the proceedings before the SEC, it would appear that the facts support the fairness of the plan. The reference is to the dividends declared on the securities included in the package to go to the preference shareholders, the favorable decision of the PUC of Ohio on the rates of Cincinnati Gas & Electric Company, and the proposed new financing of the Columbia Gas System,

⁵ *Otis & Co. v. Securities and Exchange Commission, *supra*; Re Cities Service Co. (1947) 71 PUR NS 178, 71 F Supp 1003; Re Engineers Pub. Service Co. *supra*, note 4; Re Electric Bond & Share Co. (1946) 71 PUR NS 466, 73 F Supp 426, 446.*

⁶ *New York Trust Co. v. Securities and Exchange Commission* (1942) 46 PUR NS 270, 131 F2d 274; certiorari denied (1943) 318 US 786, 87 L ed 1153, 63 S Ct 981; rehearing denied (1943) 319 US 781, 87 L ed 1725, 63 S Ct 1155; *City Natl. Bank & Trust Co. v. Securities and Exchange Commission* (1943) 48 PUR NS 195, 134 F2d 65; *Re Illinois Power Co. *supra*, note 3; Re New England Pub. Service Co. (1947) 71 PUR NS 151, 73 F Supp 452, 457.*

⁷ *Re Engineers Pub. Service Co. (1948) 75 PUR NS 193, 168 F2d 722; Re Engineers Pub. Service Co. *supra*, note 4; Re Cities Service Co. *supra*, note 5.*

⁸ *Commonwealth & Southern Corp. v. Securities and Exchange Commission* (1943) 48 PUR NS 72, 134 F2d 747, 751; *Lahti v. New England Power Asso. *supra*, note 3; Re Community Gas & Power Co. (1947) 70 PUR NS 306, 71 F Supp 171, 174, 175; affirmed (1948) 77 PUR NS 161, 168 F2d 740; Re Standard Gas & E. Co. (1945) 63 PUR NS 464, 63 F Supp 876, 878; Re North Continent Utilities Corp. (1944) 54 PUR NS 401, 54 F Supp 527, 530.*

⁹ *Re North Continent Utilities Corp. *supra*, note 8; Re United Pub. Utilities Corp. (1943) 52 PUR NS 270, 52 F Supp 975.*

¹⁰ *Otis & Co. v. Securities and Exchange Commission, *supra*, note 3; Re Standard Gas & E. Co. (1945) 61 PUR NS 175, 151 F2d 326; certiorari denied sub nom. *Guaranty Trust Co. v. Securities and Exchange Commission* (1946) 327 US 796, 90 L ed 1022, 66 S Ct 820; *Lahti v. New England Power Asso. *supra*, note 3; and see the Commission's recent decisions on § 11 (e) plans involving mandatory exchanges of preferred stocks for portfolio securities: *Re New England Power Asso. (1946) Holding Company Act Release No. 6470, 63 PUR NS 1; Re American States Utilities Corp. Holding Company Act Release No. 6540, April 11, 1946; Re Cities Service Co. (1947) Holding Company Act Release No. 7368, 69 PUR NS 453; Re Washington R. & Electric Co. Holding Company Act Release No. 7410, May 15, 1947; Re Central Pub. Utility Corp. Holding Company Act Release No. 7691, Sept. 5, 1947; Re Louisville Gas & E. Co. Holding Company Act Release No. 7789, Oct. 29, 1947; Re Middle West Corp. (1947) Holding Company Act Release No. 7905, 72 PUR NS 415; Re Northern States Power Co. (1947) Holding Company Act Release No. 7950, 73 PUR NS 215.***

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Inc. The proffered evidence as to the changes indicates they are not abnormal and they are not of such a material character as to render the plan, to paraphrase Chief Judge Nordbye, untenable.¹¹

[5] Relying on *Securities and Exchange Commission v. Chenery Corp.* (1947) 332 US 194, 91 L ed 1995, 69 PUR NS 65, 67 S Ct 1575, a point was made that as some of the directors had commencing in 1943 purchased shares of common stock as owners thereof no plan supported by them could be anything but unfair to the holders of the preference stock or, in any event, such purchases makes the plan suspect and questionable. The SEC, I have concluded, adequately met the point by finding that "The preference Stockholders' Committee and Louise D. Johnson have attacked the plan on the ground that purchases of United's common stock by Hickey, the president and a director of United, and by John J. Burns, a director and one of United's counsel, while a plan was being evolved make the plan suspect and questionable. They imply that, by reason of such purchases, any plan supported by the management must be regarded as unfair and disapproved.

"We cannot agree. We think that the fact of these purchases is relevant to the issues presented to us only in so far as it may indicate a motive on the part of the management to favor one class of stock over the other and as it may affect the weight to be given to the testimony of those participating in such purchases.

"We have recognized that here, as

¹¹ *Re Northern States Power Co.* (1948) 77 PUR NS 228, 80 F Supp 193.

elsewhere, a filing by a holding company carries with it the possibility that the management or some elements of the management may be seeking to advance their own interests or the interests of any one class of security holders as against those of others. Every plan is scrutinized by the staff and by this Commission with this possibility in mind. In view of Hickey's common stock transactions, we have also been especially searching in our examination of his testimony in relation to the fairness of the plan. The record, of course, contains testimony of other witnesses, including Hopkinson, who testified as a financial expert in support of the plan, as well as operating officials of both Columbia and Cincinnati. In addition, substantial portions of the record in the Public Service reorganization proceedings were incorporated into this record as pertinent to the PEG common stock. In reaching our conclusions regarding the fairness of United's plan, we have carefully weighed all of the evidence and testimony in the record, and have given due regard to the possibility of any relationship between Hickey's purchases and holdings of common stock and his testimony. And taking into account the possibility that the submission of the plan and Hickey's testimony on the plan may have been influenced by the purchases of Hickey and Burns, we have concluded, on the basis of the entire record, that the plan is fair and equitable" (76 PUR NS at p. 488).

Accordingly, I think the application of the SEC should be granted and an order should be submitted providing that the plan is fair and equitable and appropriate to effectuate the provisions of § 11 of the act.

FEDERAL POWER COMMISSION

Re Gulf States Utilities Company

February 1, 1949

APPICATIONS requesting that electric rate schedules be allowed to take effect; granted subject to conditions.

Rates, § 238 — Changes in schedules — Effect of tax adjustment provision.

Any change in established rates as the result of a tax adjustment provision in a rate schedule constitutes a change within the meaning of § 205(d) of the Federal Power Act, 16 USCA § 824d (d) and § 35.3 (c) of the Commission's regulations under that act, requiring that changes in rates be filed with the Commission and posted not less than thirty days prior to the proposed effective date thereof.

By the COMMISSION: On December 3 and December 6, 1948, respectively, applications were filed by Gulf States

Utilities Company requesting that the following rate schedules be allowed to take effect as of October 1, 1948:

Name of Company	Rate Schedule Designation	Rate Schedule Superseded	Name of Purchaser
Gulf States Utilities Company	FPC No. 62	FPC No. 56	Beauregard Electric Cooperative
	FPC Co. 63	FPC No. 47	Jefferson Davis Electric Cooperative

Each of the above rate schedules contains the following tax adjustment provision:

"To the rates specified in § II and § III will be added the proportionate part of any new tax, or increased rate of tax, or governmental imposition or charge (except state, county, city, and special district ad valorem taxes and any taxes on net income) levied or assessed against company's electric business as the result of any new or amended laws or ordinances after February 1, 1948, except as the power and energy sold under this schedule may be exempt from the effects of any such tax or taxes."

The tax adjustment provision

quoted above provides for future adjustments in the schedule of rates and charges which are made effective by this order based upon the incidence of taxes described in said provision. If, pursuant to such adjustment provision, any change is made in the effective rates and charges, it will constitute a change within the meaning of § 205(d) of the Federal Power Act, 16 USCA § 824d(d), and § 35.3(c) of the Commission's regulations under that act, requiring that changes in rates be filed with the Commission and posted not less than thirty days prior to the proposed effective date thereof.

The Commission *orders*:

(A) The aforesaid rate schedules

FEDERAL POWER COMMISSION

be and the same are hereby allowed to take effect as of October 1, 1948.

(B) The aforesaid rate schedules shall be deemed to have been filed and published in compliance with the Federal Power Act.

(C) Nothing contained in this order shall be construed as a waiver of the requirements of § 205(d) of the Federal Power Act or § 35.3(c) of the Commission's codification and reissuance of its rules effective January 1, 1948; nor shall it be construed as constituting approval by this Commission of any service, rate, charge, clas-

sification, or any rule, regulation, contract, or practice affecting such service or rate provided for in the rate schedules embodied in the contracts, as above designated, nor shall this order be deemed as recognition of any claimed contractual right or obligation affecting or relating to such service or rate.

(D) This order is without prejudice to any findings or orders which have been or may hereafter be made by this Commission in any proceeding now pending, or hereafter instituted, by or against the applicant.

NEW JERSEY BOARD OF PUBLIC UTILITY COMMISSIONERS

Peter J. De Luisa

v.

New Jersey Bell Telephone Company

Docket No. 4207
March 23, 1949

COMPLAINT by a telephone subscriber against discontinuance of service; dismissed.

Service, § 162 — Rules and regulations — Right of subscriber to telephone service.

1. A subscriber's right to telephone service is subject to the company's lawful regulations, p. 24.

Service, § 134 — Telephone — Discontinuance for unlawful use — Validity of regulation.

2. A regulation permitting a telephone company to terminate service in the event of improper or illegal use of the telephone, or upon objections to the continuance of service made by any governmental authority, is reasonable, p. 24.

Commissions, § 17 — Jurisdiction — Statutory limitation.

3. The Board of Public Utility Commissioners is a statutory body and limited to the exercise of the jurisdiction which is vested in it by statute, p. 25.

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Commissions, § 18 — Conflict of jurisdiction — Action of law enforcement authorities.

4. The Board of Public Utility Commissioners has no power to review the action of a county prosecutor in requesting a discontinuance of telephone service, or to nullify the prosecutor's action if the record indicates that his action was not justified, p. 25.

Commissions, § 28 — Jurisdiction over law enforcement officers.

5. The function of holding law enforcement officers to acting within the sphere of their duties and authority is judicial and not administrative, p. 25.

APPEARANCES: James A. Christie, for the complainant; A. J. Bittig, for the respondent.

By the COMMISSION: Peter J. De Luisa formally complained to the Board, alleging that New Jersey Bell Telephone Company arbitrarily and without cause disconnected telephone service to his residence and refuses to restore the service, and asked that an order requiring restoration of the service be issued.

The company, by answer to the complaint, set up in justification of its action a request by the prosecutor of the pleas of Bergen county to the company that the service be disconnected, and its tariff regulations providing for discontinuance of service on such request.

On the testimony taken at the hearing on the complaint, the Board finds and determines (a) that the service was discontinued at the written request of the prosecutor of the pleas in Bergen county, which request set up that an investigation by the office of the prosecutor and local police led the prosecutor to believe that there was justification in the suspicious conduct of the occupants of the premises and in confidential information for complaint of the use of the service in "illegal activity"—bookmaking, although

the evidence was "not sufficient to warrant an arrest"; (b) that the prosecutor, when requested on behalf of complainant, refused to consent to restoration of the service, and (c) that the tariff regulations of the company provide for discontinuance of service "upon objection to the continuance made by or on behalf of any governmental authority."

The company by its answer, prayed that the complaint be dismissed (a) because the discontinuance of service was in accordance with a request of the prosecutor of the pleas on the basis of his belief that the "telephone was being used for illegal purposes," (b) that the company has the right under its tariff regulations to discontinue telephone service under the circumstances stated, and (c) that this Board has no legislative grant of authority "to determine the legality of the action of the law enforcement agencies of the state who are authorized by law to investigate and prosecute criminal activities in the state."

At the close of the hearing the company moved that the complaint be dismissed and the relief asked be denied upon the grounds set out in its answer and upon other grounds.

The tariff regulation of the company is to the effect that "facilities and

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service may be terminated . . . upon objection to their continuance made by or on behalf of any governmental authority."

This regulation has its special reason in RS 2:135-2-3-4, RS 2:147-4, RS 2:171-3.

RS 2:135-3 specifically relates to bookmaking and pool selling, keeping gambling resorts and gambling, and extends to those directly engaged in the prohibited activities and also to those "who shall aid, abet, or assist in any" of the prohibited acts and makes them alike guilty of a misdemeanor.

RS 2:135-4 additionally provides that "any corporation of this state convicted of an offense under § 2:135-3" above referred to shall be dissolved thereby and its corporate franchises shall thereby become forfeited and void without any other proceeding to that end.

RS 2:171-3 further provides that any telephone corporation that shall knowingly carry any message of any kind which shall further or promote the interest of any unlawful pursuit, or enable a person to carry on any business or practice declared illegal by any statute of this state shall be guilty of a high misdemeanor.

[1, 2] In view of these penal statutes the Board has heretofore under circumstances like those here involved determined the above quoted tariff regulation of the company to be reasonable, saying, on the complaint of Lottie Slapkowsky against the company here complained of (1947) 67 PUR NS 33, 34:

"Petitioner's right to telephone service was subject to respondent's general regulations constituting a part

of its general exchange tariff which specifically provide that respondent may terminate service in the event of improper or illegal use of its service or upon objection to the continuance of service made by any governmental authority. The regulations have, heretofore, been approved by this Board in the following language:

"'As to the reasonableness of the rules, there can be no serious question in view of the several statutory interdictions placing criminal and civil liability upon respondent as a penalty for engaging in, or in aiding and abetting in gambling practices in violation of law. Reference is made to RS 2:135-2; RS 2:135-4; RS 2:147-4; RS 2:171-3.' (Ganek v. New Jersey Bell Teleph. Co. decided December 19, 1944, Docket No. 1586, 17 NJ PUCR 494, 57 PUR NS 146, 148.)

"Confronted as it was, on the one hand, by the police authorities of Jersey City, with information that its facilities and services at petitioner's residence were being used for illegal purposes, and on the other, with its obligations and responsibilities under the law, respondent's acts in discontinuing and refusing to restore service to petitioner cannot be held by us to be unreasonable."

In the instant proceeding the request to discontinue service is made by the prosecutor of the county acting in the performance of his official duty and authority.

The Board now reaffirms the position so taken by it as to the reasonableness of the tariff regulation above quoted and here in question.

Further than this, it must be apparent that while the complaint here made is directed against the company and in

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form merely seeks a determination that the action of the company is unreasonable and arbitrary, in fact it reaches back to the action of the prosecutor—a law enforcement official—and seeks to have the Board review his action and determine whether or not it was warranted in the circumstances in which he acted, and if not warranted to nullify his action.

[3, 4] The Board is a statutory body limited to exercise of the jurisdiction which is vested in it by statute. The Board can find no provision in the statute under which it acts indicating legislative intent to vest in the Board power to review the action of the prosecutor and to nullify it if the Board concludes on a record made before it that such action was not justified.

It was suggested in the instant case that the action of a law enforcement officer, in requesting that service be discontinued, may be moved by political or other improper considerations. It was further suggested that in such case unless relief is to be afforded by the Board, one deprived of service will be without remedy.

[5] To these suggestions the answer is that it must be presumed that acts within the proper sphere of a public official have been properly performed, and without improper motive, and further that the function of keeping law enforcement officers to observance of and to acting within the sphere of their duties and authority is judicial and not administrative and that judicial and executive powers afford complete preventive, corrective and punitive remedies for action violative of such duties and authority.

In the instant case the prosecutor of

the county laid before the Board the facts upon which he acted in requesting discontinuance of service and in refusing to consent to its restoration. Assuming that he had refused to lay the facts before the Board, what would the situation have been?

Can there be any doubt that in such case if the Board certified his refusal to a proper court and asked that the prosecutor be required to lay the facts before the Board that the court would deny such direction?

The Board can find nothing in the statute under which it acts to vindicate legislative intent to open the way to collision in a matter of criminal law enforcement between an agency of law enforcement and the Board—an administrative agency. The Board finds in such statute nothing to indicate legislative intent to subject the public utility to the perils of such collision and in the event of such collision to seeking resolution of the conflict in the courts, when the action of the public officer could in the first instance and directly be made, without recourse to the Board, the subject of judicial review and determination.

The Board for the reasons stated dismisses the complaint herein and denies the relief sought thereby.

While testimony was introduced at the hearing as to the facts and circumstances which led the prosecutor to make the request for discontinuance of the service and his refusal to consent to its being restored and as to the results of investigation by the company, and while testimony was introduced by complainant denying that the service had been used for any illegal purpose, the Board, because of the

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conclusion reached as to its lack of jurisdiction does not pass upon or reach a conclusion as to the facts to which such testimony relates.

WISCONSIN PUBLIC SERVICE COMMISSION

Re Waukesha Aviation Club, Incorporated

2-U-2507
March 24, 1949

PETITION for order restraining public utilities from erecting overhead transmission wires within one mile of airport; dismissed.

Construction and equipment, § 2 — Commission jurisdiction — Construction methods.

1. The Commission has jurisdiction to prescribe methods of construction of utility property, p. 27.

Construction and equipment, § 2 — Jurisdiction of Commission — Utility construction near airport.

2. The Commission can issue detailed rules covering the construction of utility facilities near airports generally or it can handle each case separately, p. 27.

Construction and equipment, § 1 — Rules and regulations — Construction near airport.

3. The methods of constructing airports and the difficulty of predicting future advances in that industry make it undesirable to write detailed rules governing utility construction near airports, p. 27.

Construction and equipment, § 1 — Cost allocation — Construction near airports.

4. The cost of moving transmission lines near airports should be borne by the owner of the lines, since as a general rule each public enterprise or business should pay for its own facilities, and no enterprise should be given an advantage solely because it happened to be the first in the field, p. 28.

By the COMMISSION: The Commission received a petition on June 18, 1947, from a group of individuals belonging to the Waukesha Aviation Club requesting the Public Service Commission to restrain utilities from erecting overhead transmission wires within one mile of the boundary lines of any designated airport.

On October 8, 1947, the Commiss-

ion issued a notice of investigation and hearing in the matter.

APPEARANCES (October 30, 1947):

Applicants: Mr. and Mrs. L. J. Wenniger, Waukesha, LaVerne Garman, West Allis, and Charles H. Faber, West Allis.

As their interests may appear: State Aeronautics Commission and

RE WAUKESHA AVIATION CLUB, INC.

State Planning Board, by M. W. Torkelson, Madison; Madison Gas and Electric Company, by R. M. Rieser, Attorney, Madison; Civil Aeronautics Administration, by J. S. Zimmerman, Madison; Wisconsin Electric Power Company, by C. T. Young, Attorney, Milwaukee; Wisconsin Power and Light Company, by William Ryan, Attorney, Madison, E. J. Kallevang, Chief Engineer, and C. H. Dinsmore, Safety Director; Wisconsin State Telephone Association, by William McNamara, Madison; Wisconsin Telephone Company, by W. E. McGavick, Attorney, Milwaukee; Wisconsin Michigan Power Company, by R. E. Williams, Commercial Manager, Appleton; Commonwealth Telephone Company, by Robert E. Kommers, Rate Engineer, Madison; Wisconsin Gas and Electric Company, by H. W. Bischell, Engineer, Racine.

Of the Commission staff: C. B. Hayden and R. E. Purucker, of the engineering department.

APPEARANCES (October 11, 1948):

Applicants: Nolan Scheiding, Nashotah.

As their interest may appear: Wisconsin Telephone Company, by W. E. McGavick, Milwaukee; Wisconsin Telephone Association and Madison Gas and Electric Company, by R. M. Rieser, Madison; Commonwealth Telephone Company, by Robert E. Kommers, Madison; Wisconsin Electric Power Company and Wisconsin Michigan Power Company, by C. T. Young, Milwaukee.

Of the Commission staff: R. E. Purucker.

There was considerable discussion

at the October 30, 1947, hearing concerning the jurisdiction of the Commission in this matter, and at the conclusion of the hearing the interested parties were given an opportunity to submit briefs to the Commission covering the question of jurisdiction, and to submit reply briefs. Briefs were filed.

The parties in interest were advised on March 2, 1948, that the Commission had ruled that it had jurisdiction and that it was referring the question to the Wisconsin Electrical Code Committee for recommendations. The parties were notified that following the receipt of recommendations, the Commission would hold a further hearing. The staff of the Commission discussed tentative drafts of a rule with the Wisconsin Electrical Code Committee. In general the committee members felt that it was reasonable to require utilities to notify the proper parties concerning their construction if it could reasonably be determined that so-called prospective airport sites would become airports.

[1-3] The Commission is of the opinion that it has jurisdiction to prescribe methods of construction of utility property under § 196.74. That section of the statutes permits the promulgation of general rules and also indicates that the Commission shall investigate complaints filed by any interested party to the effect that public safety or adequate service require changes in construction. The section further authorizes the commission to order alterations in construction that might be required for public safety and to fix the proportion of the cost and expense of such changes, which shall be paid by the

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parties. The Commission can, therefore, issue detailed rules covering the construction of utility facilities near airports generally or it can handle each case separately.

The Commission is of the opinion that methods of constructing airports and the difficulty of predicting future advances in that industry make it undesirable to attempt to write detailed rules.

There has been incorporated in the State Electrical Code the following rule, which became effective February 25, 1949:

"Construction near Airports"

"When any portion of a contemplated overhead line or structure will be at a greater height above the level of a proposed or existing airport than one-fortieth of the distance from the boundary of such site, the owner, if known, and the Wisconsin Aeronautics Commission should be notified.

"The Wisconsin State Aeronautics Commission will supply maps showing the location of prospective and existing publicly owned airport sites and information relative to their development.

"It is recommended that a reasonable effort be made to determine if private airports are contemplated in the area where the construction will be located."

This rule will serve substantially the purpose of the petitioners without placing any undue burden upon public utilities, and detailed requirements in any particular instance can best be handled separately. The petitioners indicated at the hearing that they were not insistent on the one-mile limitation but that they wanted some reasonable regulation covering construction of overhead wires in the vicinity of air-

ports. The Electrical Code rule is based on a glide ratio of 40 to 1, which is the maximum airport protection provided in the statutes governing zoning of airport approaches.

[4] The Commission has also given consideration to a reasonable policy to be followed in allocating the costs of moving lines near airports and is of the opinion that as a general principle each public enterprise or business should pay for its own facilities and that no enterprise should be given an advantage solely because it happened to be the first in the field. This same philosophy was, in general, used by the Commission in cases involving electrolysis and inductive interference. The enterprise which entered the field last, in general, paid for moving the other's facilities if that was all that was necessary, paying the remaining value of any facilities of another company that had to be replaced; but in general the new enterprise did not furnish new facilities for the enterprise that was first in the field. Early in the regulation of utilities this Commission issued an order covering the change of the type of electric service from direct current to alternating current. In that order the Commission required the utility to pay the customer for the remaining value of the customer's equipment, pay for the cost of changing the electric wiring, installing the new equipment, and removing the old. This required the customer to buy new equipment to replace the old even though the new equipment cost more than the original equipment or more than the utility paid toward replacing such equipment.

The Commission does not wish to imply by the language above that it

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is necessary that every instance of moving utility lines because of airport construction need be brought to its attention. Agreements can and should be reached between parties in interest wherever possible.

The Commission finds:

1. That the Public Service Commission is authorized by § 196.74 to specify the types of construction used by utilities in the vicinity of airports, and in the case of complaint has jurisdiction to specify the construction and the apportionment of costs.

2. That to prohibit the construction

of utility plant and lines within one mile of airports as originally requested by the petitioners would be an unreasonable regulation.

3. That the present state of the aviation industry does not permit precise general rules to be written governing utility property near airports.

The Commission concludes that the petition should be dismissed.

ORDER

It is therefore *ordered* that the petition herein be and hereby is dismissed.

MISSOURI PUBLIC SERVICE COMMISSION

Re Western Light & Telephone Company, Incorporated

Case No. 11,175
November 16, 1948

APPPLICATION for authority to file revised telephone rate schedule; proposed rates denied, authority to file revised schedule on temporary basis approved.

Rates, § 558 — Telephone — Types of instruments.

1. There should be a differential in the monthly rates for different types of telephone instruments used, especially until a company is prepared and able to install modern handsets at all of its stations equipped with wall or desk type instruments, p. 31.

Rates, § 561 — Telephone — Multiparty service.

2. It is unfair for a telephone company to charge the same rates for 2-party service as for one-party service, p. 32.

By the COMMISSION: On September 12, 1947, Western Light & Telephone Company, Inc., hereinafter sometimes referred to as the company,

filed an application requesting authority from the Commission to file revised schedules of rates for telephone service furnished its subscribers through its

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exchange located at LaGrange, Lewis county, Missouri; such proposed new rates being included in an exhibit attached to the application and designed to increase revenues by approximately \$2,137.44 annually.

Acting on its own motion, on January 2, 1948, the Commission issued its order, in this case, directing its accounting and engineering staffs to make an appraisal of the books, records, and accounts of the company for the purpose of determining, among other things, the reasonableness of rates charged by said exchange. On June 2, 1948, this case was consolidated with and made a part of Case No. 11,368, which proceedings were instituted by the Commission on its own motion to determine the original cost and the reasonableness of rates charged at all of the company's exchanges in Missouri.

Subsequently, after the issuance of the Commission's order in Case No. 11,368, representatives of the company, at a conference, advised the Commission that several of its exchanges in Missouri, including the exchange at LaGrange, were not carrying themselves, and the company requested an immediate hearing concerning the adequacy of rates being charged at these exchanges. It was specifically understood at this conference that any increase the Commission might grant after such hearing would be of a temporary, or interim, nature subject to final determination after the hearing in Case No. 11,368, the statewide investigation.

The matters involved in this case were thereupon set for hearing in Jefferson City, Missouri, on July 23, 1948, at which time and place, after

due notice, all interested parties were given an opportunity to be heard. The company was present and was represented by counsel, and a member of the Commission's accounting staff was also in attendance. No one appeared in opposition to the granting of the authority requested. At the conclusion of the hearing the case was submitted on the record.

The evidence shows that the company is a telephone corporation organized and existing under the laws of the state of Kansas and is duly licensed to do business in the state of Missouri as a foreign corporation. It is engaged in rendering telephone service through 43 exchanges in the state including the exchange at LaGrange, Lewis county, Missouri.

The rates which the company is now charging at LaGrange and the rates it proposes to charge are shown in the following table:

Class of Service	Present Rates	Proposed Rates
Business 1P. Wall	\$2.00	\$3.00
Business 1P. Desk	2.25	3.00
Business 1P. Handset	2.40	3.00
Residence 1P. Wall	1.25	1.75
Residence 1P. Desk	1.50	1.75
Residence 1P. Handset	1.65	1.75
Residence 2P. Wall	1.00	1.75
Residence 2P. Desk	1.25	1.75
Residence 2P. Handset	1.40	1.75
Residence 4P. Wall	1.00	1.50
Residence 4P. Desk	1.25	1.50
Residence 4P. Handset	1.40	1.50
Residence 1P. Wall (Employee) .....	.83	1.30
Business Extension Wall ..	.50	1.00
Business Extension Desk ..	.75	1.00
Business Extension Hand- set .....	.90	1.00
Residence Extension Wall ..	.50	.50
Residence Extension Desk ..	.75	.50
Residence Extension Hand- set .....	.90	.50
Rural Wall—Metallic	2.00	2.00
Rural Desk—Metallic	2.00	2.00
Rural Handset—Metallic ..	2.00	2.00
Rural Wall—Grounded ..	1.50	1.50
Rural Desk—Grounded ..		1.50

RE WESTERN LIGHT & TELEPH. CO. INC.

Rural Handset—Grounded .		\$1.50
Rural—Class D	1.00	1.00
Rural Switcher—		
Min. 4 Subscribers .....	.50	.60
Rural Switcher—		
3 Subscribers .....	.50	.80
Rural Switcher—		
2 Subscribers .....	.50	1.00
Rural Switcher—		
1 Subscriber .....	.50	1.50

Discount of \$1 on switcher and \$2 on class D for payment annually in advance to be removed.

According to the evidence, these proposed new rates will produce a monthly increase in exchange revenues of \$156.87, or an annual increase of \$1,882.44. Likewise the discontinuance of discount for annual prepayment by Class D rural subscribers and switcher stations will increase gross revenues by an additional \$255.

The exhibit attached to the application shows that at June 30, 1947, the telephone plant used in serving LaGrange had a gross book value of \$33,839.62, against which a depreciation reserve of \$11,626.46 had been accrued, making the net book value \$22,213.16. The exhibit also shows that for the year ended June 30, 1947, the operation of the said exchange resulted in a net for return of \$480.91. A subsequent income statement for the year ended May 31, 1948, which was introduced at the hearing, indicated that for this period the net for return was \$504.68.

From an examination of the evidence, we are convinced that the company is entitled to some immediate relief in the form of increased rates applicable to its telephone operations rendered through its exchange located at LaGrange, Lewis county, Missouri. We are not convinced, however, that the proposed rates are just and proper or that they should be allowed to be-

come effective. The evidence is definitely inconclusive as to the original cost of the company's property at LaGrange. Also, we realize that the income statements as submitted are open to criticism and doubt as to their applicability in these proceedings, especially in regard to the methods used in allocating various general office expenses and the charge against the exchange for income taxes.

It is shown in the company's exhibit that service is rendered through three types of telephone instruments; wall phones, desk sets, and handsets. Under existing rates there is a differential in the monthly charge for stations having the three types of instruments. The desk set subscribers pay 25 cents more per month than the subscribers having a wall phone, and, likewise, the handset subscribers pay 15 cents more per month than the desk set subscriber and 40 cents per month more than the subscriber using the wall type instrument. Under the proposed rates all of these differentials are removed and the subscribers in the various rate classifications will pay similar amounts, regardless of the type of telephone instrument used. Likewise, it is noted that the wall phone stations predominate and, therefore, the stations equipped with this type of instrument would pay the greater proportion of the increase in revenue. Also, by requiring in general a larger monthly increase from subscribers having wall or desk sets than from handset users, the company is increasing its charges more proportionately for an inferior grade of service.

[1] As we have stated on previous occasions, it is our belief that there should be a differential in the monthly

MISSOURI PUBLIC SERVICE COMMISSION

rates for different types of telephone instruments used, especially until a company is prepared and able to install a modern handset at all of its stations equipped with the wall or desk type instruments. In our opinion, the elimination of this differential removes one of the greatest incentives the company has to improve the quality of its service by replacing the antiquated wall or desk sets with the new type instruments.

The authorization of the proposed rates, with the exception of the continuance of the present differentials for the different types of telephone instruments in use, results in the following rates:

Class of Service	Proposed Rates	Suggested Rates
Business 1P. Wall	3.00	2.60
Business 1P. Desk	3.00	2.85
Business 1P. Handset	3.00	3.00
Residence 1P. Wall	1.75	1.35
Residence 1P. Desk	1.75	1.60
Residence 1P. Handset ...	1.75	1.75
Residence 4P. Wall	1.50	1.10
Residence 4P. Desk	1.50	1.35
Residence 4P. Handset ...	1.50	1.50

[2] The proposed rates for the remaining classes of service appear rea-

sonable with one exception. The company at the present time has a few subscribers receiving 2-party service, and under the proposed rates the charge for this service would be the same as for one-party service. This is definitely unfair, and we can see no reason for the continuance of both 2-party and 4-party service by this exchange. No new rate schedules should be filed for this 2-party service, and the subscribers presently receiving this class of service should be allowed to substitute either one-party or 4-party service according to their individual desires.

It is our opinion that these suggested rates will not produce an excessive return to the owners of the property, and we shall therefore allow the company to file revised schedules of rates for its telephone service rendered through its LaGrange exchange on a temporary, or interim, basis, subject to the approval of the Commission, which shall be patterned after the rates suggested herein.



Industrial Progress

A digest of information on new construction by privately managed utilities; similar information relating to government owned utilities; news concerning products, supplies and services offered by manufacturers; also notices of changes in personnel.



Automatic Machine Re-Refines Used Lubricating Oils

OPERATORS of Diesel power units who use 50 to 75 or more gallons of lubricating oil weekly are offered an automatic machine for re-refining the oil after it has done a cycle of duty in the crank-case. The equipment manufactured by Automatic Oil Refiners, Inc., Orchard Park, New York, uses a catalytic process with high temperatures and sub-atmospheric pressures together with complete filtration. It performs a complete re-refining process on used lubricating oils, rendering them ready for re-use at quality levels equal to or better than the original oil, according to the manufacturer.

Working on the accepted theory that oil does not "wear out," this machine is described by the manufacturer as a complete refining unit designed to remove all carbon, acids, metal particles, water, and dirt. Used oil so processed is ready for re-use at substantial savings.

Literature may be obtained by writing to Automatic Oil Refiners, Inc., Orchard Park, New York.

Marcus Transformer Issues New Bulletin

THE Marcus Transformer Company has issued a four-page bulletin describing its "completely new, completely different and completely safe line of air-cooled distribution transformers—suitable for all purposes." The many features of this unusual line are thoroughly covered in the folder. Many applications are also shown.

A copy of the bulletin may be obtained by writing to The Marcus Transformer Company, Inc., 32-34 Montgomery street, Hillside 5, New Jersey.

Explosion-proof Heater for Use In Hazardous Locations

THE Electromode Corporation has developed an all-electric explosion-proof heater which, according to the announcement made by the manufacturer, has been designed to solve the heating of hazardous locations safely, efficiently and at reasonable cost. This heater is said to be the first all-electric explosion-proof heater made to comply with Underwriters' Laboratories Class 1, Group D, Hazardous Locations. It was recently approved by the Underwriters' Laboratories, Inc. It is specially designed for use in atmospheres containing gasoline, petroleum, naphtha, acetone, benzol, lacquer, solvent vapors, and natural gas. In

addition, it may be used in places where flammable gases, mixtures, or other highly flammable substances are manufactured, used, or stored in other than their original containers.

The new Electromode explosion-proof heaters are available in three models with ratings of 2000, 4000 and 6000 watts. The 2 and 4 kilowatt sizes can be supplied for operation on 240 and 480 volts, single phase. The 6 kilowatt size is available for use on 240 or 480 volts, single or three phase. For detailed information, literature, model desired, and sources of supply, write the manufacturer, Electromode Corporation, 45 Crouch street, Rochester 3, New York.

New 200-Amp Heavy-Duty Cutout Announced by G-E

A HEAVY-DUTY indicating cutout particularly applicable to fusing sizable transformer banks or sectionalizing heavy feeders has been announced by the General Electric Company's transformer and allied products divisions.

The new unit, rated at 200 amperes, has been designed to provide an 8,000 ampere full-range interrupting rating at 2.5 kv, (or line-to-neutral on 4160 or 4330-volt Grd Y, 4-wire system) complementary to the original interrupting rating 5,000 amperes at 5 kv, (or line-to-neutral on 8330-volt Grd Y, 4-wire system).

New Portable Bus Bar Bender Announced by Flexo Machines

FLEXO Machines Company has developed a new portable bus bar bender. Designed to meet the needs of public utilities and other large power plants, the new Flexo bus bar bender is said to be extremely flexible, making it readily adaptable to use in the shop and in the field. Measuring only 18 $\frac{1}{2}$ in. overall, it can be stowed in the maintenance truck, while its weight of 110 lbs. makes it possible to use it wherever it is needed. According to the manufacturer, it has ample capacity to bend bus bar up to 4 in. wide and $\frac{1}{4}$ in. thick to a clean 90° angle.

Descriptive literature is available from the Flexo Machines Company, 456 N. Aberdeen street, Chicago 22, Illinois.

Worthington Appointment

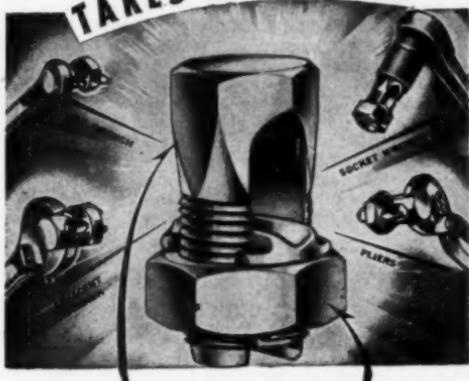
FRANK I. KEMP, manager, vertical turbine pump division, Worthington Pump and Machinery Corporation, Harrison, New Jersey, has announced the recent appointment of James W. Hepburn as assistant manager of that division, as part of the company's pro-

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MAY 26, 1949

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gram to render better service to its customers.

Mr. Hepburn will make his headquarters at the corporation's Denver Works early in May, where he will be responsible for customer relations in the sale of vertical turbine pumps in the territories west of the Mississippi river, including Chicago, St. Paul, and New Orleans.

New Film Tells Story of Power Generation in New York

THE story of power generation in New York city and of the vital role that electricity plays in every-day life are told in a new 16 mm, color and sound motion picture produced by the Consolidated Edison Company of New York, Inc.

Titled "Electricity—Serving New York," the film is fully narrated and runs twenty-two minutes and depicts approximately 300 different scenes and locations. It was made to be shown to the public anywhere within the territories served by Consolidated Edison.

Photographed inside actual System generating stations and against a background of authentic city scenes, it shows some 200 of Consolidated Edison's 30,000 employees at work in diverse operations that are part of the immense job of generating and distributing electricity for a city of over eight million inhabitants.

Requests for the film or for information as to its availability should be made to: Advertising Department, Consolidated Edison Company, 4 Irving place, New York 3, New York.

India Places Order with G-E
For Electric Equipment

ONE of India's largest postwar orders for electric equipment, including 150,000-kilowatt power generating apparatus and other equipment, has been placed with the International General Electric Company.

The apparatus will be part of the projected \$25,000,000 Bokaro Steam Power Station of the Damodar Valley Corporation, which was established to implement India's long-range program of electrification of industrial and agricultural areas.

The proposed station will be located about 200 miles west of Calcutta at the junction of the Bokaro and Konar rivers, and when completed will more than double the present power supply for that area of India.

The order calls for three 50,000-kilowatt General Electric turbine generator sets, three large power transformers, switch-gear, motors, and other equipment, plus engineering services required to place the station in operation.

New Annunciator Stops Trouble
Before Damage Is Done

THE Auth Electric Company, Inc., of Long Island City, New York, has recently designed and is now placing on the market a new Supervisory Annunciator that gives both visual and audible alarm when trouble develops. It is designed to be of great value in connection with such conditions as overheated bearings,

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low fuel level, too low or too high pressures, too high cooling temperatures, end of a processing cycle, etc. When trouble occurs this new Bull's-Eye Lamp Type Annunciator receives an electrical impulse from a normally open or normally closed, momentary contactor, such as a thermostat or float switch. This impulse causes a maintaining contact in the annunciator circuit which operates a visible signal indicating on the board where trouble is developing and, simultaneously, sounds an audible alarm. Thus the source of the trouble is immediately detected and can be corrected before any damage has been done.

This new Bull's-Eye Lamp Type is said to be particularly valuable in the case of large installations found in public utilities, refineries, large industrial plants, etc., since it permits centralized control of all the trouble spots, preventing costly breakdowns of vital services or expensive equipment.

For complete detailed specifications write Auth Electric Company, Inc., 34-20 Forty-Fifth street, Long Island City 1, New York.

New, Self-Adhesive Pipe Markers

NEW self-adhesive "Quik-Label" pipe markers for fast accurate identification of materials carried in pipes are announced in 4-page folder released by W. H. Brady Company, Milwaukee, Wisconsin.

The markers conform to ASA Standard #A13, "Identification of Piping Systems." Each marker is $2\frac{1}{2}$ in. wide by 9 in. long and comes mounted on a card $2\frac{1}{2}$ in. by 9 in. The manufacturer claims the labels can be read up to 75 feet in illumination provided by a flashlight and that anyone who can read knows exactly what is in pipes marked with Quik-Labels.

The folder lists more than 150 stock pipe markers, including all materials classified in ASA Standard #A13. Each stock marker is available with printing running the width of the label (for wrapping around pipes) or lengthwise for applying along that part of the pipe visible to the eye. In addition, 23 conduit markers printed with all standard NEMA voltages from 110V through 4800V are listed. The folder and sample pipe markers are available without charge from W. H. Brady Company, Dept. 96, 815 N. Third street, Milwaukee 3, Wisconsin.

J-M Offers Sound Picture on Story of Transite Pipe

A NEW sound motion picture entitled "Underground Arteries—The Story of Transite Pipe," has just been completed by Johns-Manville and is now ready for distribution. It is in full color and the showing time is 32 minutes.

The picture begins with a series of scenes showing the importance of pure, fresh water in the daily life of a typical community. Next, attention is directed to the supply and distribution lines, which, because they lie underground, go unnoticed by the average taxpayer. While

discussing these "underground arteries" the narrator introduces Transite Pipe. Then, various steps in the manufacture of this asbestos-cement pipe are shown followed by scenes illustrating installation features of Transite Pipe. The picture ends with a tribute to the forward looking spirit of the men who are responsible for the excellent water works systems which we have today.

Through the use of familiar scenes and easily understood terms, the picture is both educational and entertaining for laymen as well as engineers and professional water works personnel.

Arrangements for showings of this picture can be made by writing to Johns-Manville, 22 East 40 street, New York 16, New York.

New Bulletin on Magnetic Motor Control Published by Trumbull

IN a 22-page bulletin announcing a new line of magnetic motor control, which is intended to give full protection against damage from overload and under-voltage to A-C motors up to 50 hp, The Trumbull Electric Manufacturing Company presents complete product data including types of disconnects, reversing starters, non-reversing starters, reversing contactors, non-reversing contactors, and combination magnetic starters.

Included in the bulletin is a catalog listing of all equipment giving specific information needed for ordering.

Copies of this bulletin may be obtained free of charge by writing for Bulletin TEB 8. Address The Trumbull Electric Manufacturing Company, Plainville, Connecticut.

Koppers Company Issues "Pole Buyers' Guide"

THE Wood Preserving Division of Koppers Company, Inc., has made available a new 18-page technical bulletin planned as an informative guide for users and buyers of poles. The "Pole Buyers' Guide" presents service records, electrical resistance information, and comparative cost figures of pressure-treated poles.

Pole specifications for all species as established by the American Standards Association and accepted by the largest pole users are presented in detail. The booklet gives the manufacturing requirements for bark removal, sawing, trimming, framing, and marking poles and defines widely used wood terminology.

Five tables of dimensions for different species of poles are included along with a diagram showing the measurement of sweep and short crooks in poles. Attention also is focused on the proper unloading technique which will prevent injury to workmen and damage to poles at their destination.

The booklet describes the treating facilities available at Koppers 22 treating plants and lists the company's 19 sales offices. Copies of the booklet may be obtained by writing to Koppers Company, Inc., Wood Preserving Division, Koppers building, Pittsburgh 19, Pennsylvania.

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THE SOUTHERN CALIFORNIA EDISON CO.

**This is the story that the Southern California
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"More people and more industries in Southern California—and the resulting increased load on the Edison System—have required that system capacity be built up in the fastest and most economical manner possible during the last three years.

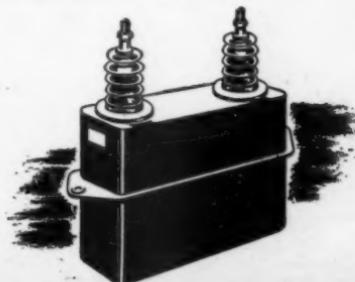
"System studies disclosed the economy of capacitor installations. With our goal set at 20% of our peak-load kva in static capacitors, we began our program in 1945.

"Our Distribution Division installed as many of the capacitors on distribution feeders as available labor would permit. To accelerate the program, capacitors were also installed on 4-kv substation buses in banks ranging, in general, up to 20% of station peak load—the largest bank including 330 units or 4950 kva. These capacitors are directly connected to lines or buses. Switched capacitors are being installed where local conditions justify the use of automatic control.

General Electric Company, Schenectady 5, N. Y.

"All low power factor loads are being studied for the application of capacitors, to permit increased loading of existing transformer banks, and to keep distribution line and equipment losses at a minimum.

"Installations made so far have proved the soundness of our decision. We have increased system capacity and improved system efficiency."



GENERAL  ELECTRIC

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It's important, therefore, that *your* truck be engineered and built . . . to fit *your* job! That's what is meant by a "Job-Rated" truck!

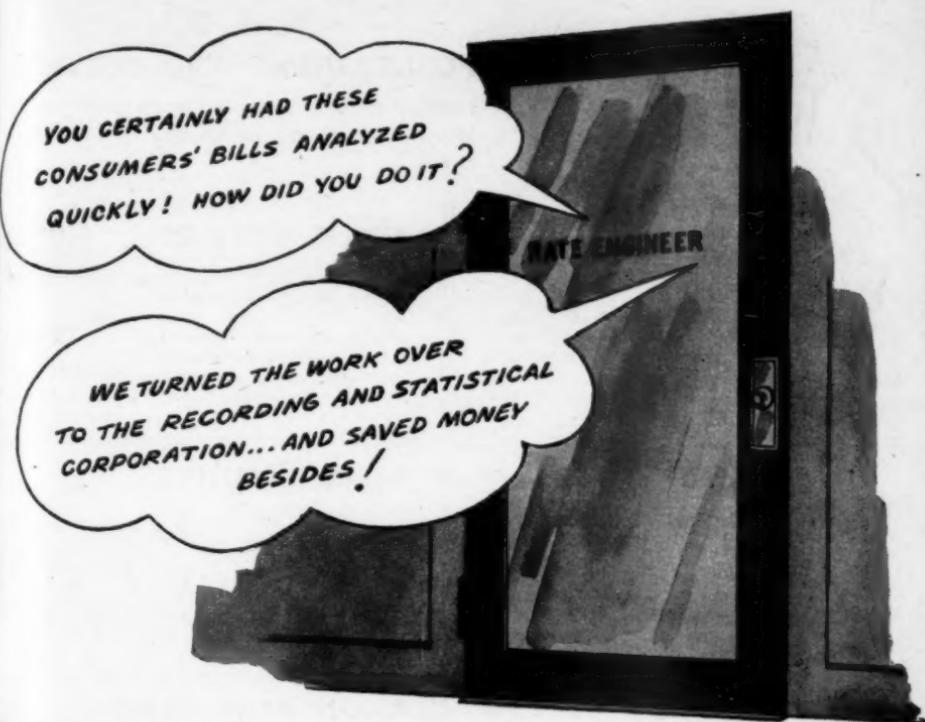
Only Dodge builds "Job-Rated" trucks. Every one of these trucks has the right one of 7 truck engines . . . "Job-Rated" for top efficiency and maximum economy. Every Dodge has the right chassis unit . . . from engine to rear axle . . . "Job-Rated" to fit *your* job, to save you money.

So if you're looking for the "lowest-cost" truck . . . ask your Dodge dealer to show you the "Job-Rated" truck that fits *your* job! Such a truck will give you the best *value* in transportation you can buy.



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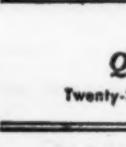
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To facilitate installation U-bolts are securely held in position by bent over yoke projections, making yoke and U-bolt a one-piece unit.

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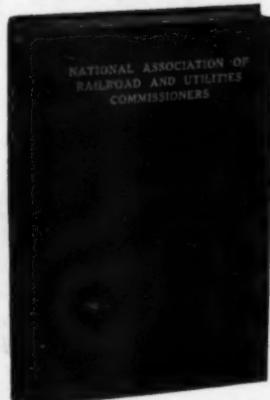
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Telephone Report (1948):

Report of the Special Committee Cooperating with the Federal Communications Commission in Studies of Telephone Regulatory Problems. This report is principally concerned with the problem of Western Electric costs to the telephone industry. It is 78 pages in length and contains illustrations, tables and charts

\$2.00

Telephone Separations Manual:

This manual is the result of the NARUC and FCC Joint Committee studies, and develops a system of procedure providing for allocating telephone operating expenses and investment among exchange, state toll, and interstate toll service on both the board-to-board and station-to-station bases of rate making. (This manual is not included in the volume of Proceedings above referred to.) (Printed, 87 pages)

\$2.00

Depreciation:

(1948) Letter Symbols for Mathematics of Depreciation

\$1.00

(1948) Half Cycle Methods of Estimating Service Life

1.00

(1946) Methods of Pricing Retirements from Group Property Accounts

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Note: None of the above three Depreciation papers are included in any volume of Annual Proceedings.

Interpretations of Uniform System of Accounts for Electric Utilities

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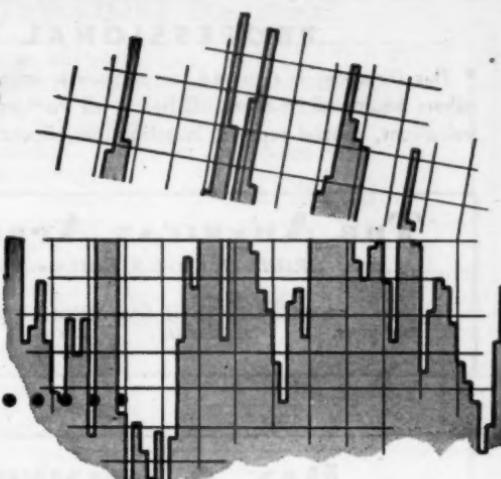
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